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CLAIRVEST GROUP INC. KNOWLEDGE BASED VALUE FOCUSED ANNUAL REPORT 2003



CLAIRVEST'S INVESTMENT PRINCIPLES

KNOWLEDGE BASED – VALUE FOCUSED

WE WORK HARD TO FIND STRONG, DEFENSIBLE INVESTMENTS THAT MEET OUR STRICT INVESTMENT CRITERIA.

1. INVEST IN WHAT YOU KNOW.

We invest in industries we understand. This understanding comes from proprietary domain research. We look for industries that have: significant potential for consolidation; cost-based economies of scale; a pattern of recurring revenue; and the potential to deliver high returns on net assets and invested capital.

2. INVEST IN SOLID COMPANIES WITH COMMITTED AND SUCCESSFUL MANAGEMENT.

We invest in companies within select industry sectors that have: management with a successful track record and significant capital at risk; a proven economic model and a sustainable advantage or market position; and a business model that clearly demonstrates how value is generated within the business.

3. USE KNOWLEDGE TO ADD VALUE AT EVERY OPPORTUNITY.

Good judgement comes from experience. Clairvest utilizes the extensive experience of its Board of Directors, the entire management team and its investment partners to guide development and growth. We look for economies of scale and economies of skill.

4. VALUE CREATION IS FUNDAMENTAL.

Value must be created within the company. We do not look to the capital markets to produce success. When we are happy to own an investment through the entire business cycle, we have found the right industry, the right company and the right management team.

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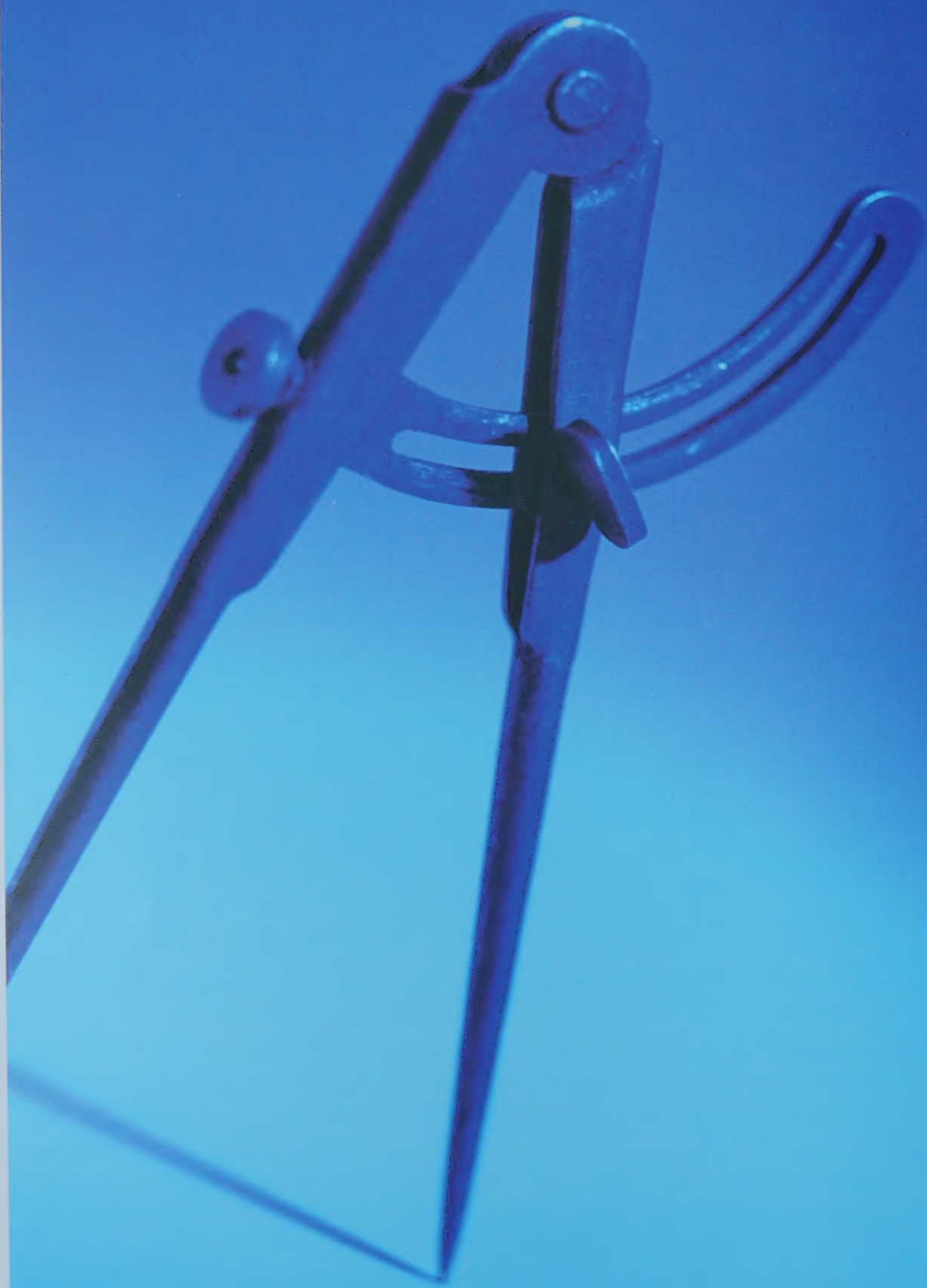
This report contains forward-looking statements with respect to Clairvest Group Inc., its subsidiaries and their investments. These statements involve risks and uncertainties that could cause actual results to differ materially from those contemplated.

CLAIRVEST'S INVESTMENT HIGHLIGHTS

WE ADHERED TO OUR STRINGENT INVESTMENT PRINCIPLES. WE MADE SOLID INVESTMENT DECISIONS. WE OUTPACED THE INDUSTRY.

- JUNE 2002 – Clairvest investee company Voxcom Incorporated completed a recapitalization transaction, consisting of a \$38.9 million equity investment and a new \$70.0 million bank credit facility. As a result of the transaction, Clairvest converted its existing \$8.6 million of debentures into Voxcom Preferred Shares, and invested an additional \$2.9 million in Preferred Shares. This transaction gives Voxcom the capital and debt structure it needs to carry out its business plan.
- JULY 2002 – Clairvest and CEP invested a combined \$20.0 million in Van-Rob Stampings Inc. for a combined 20% ownership interest. Van-Rob is a best-in-class supplier of metal stampings and welded assemblies to the automotive industry.
- NOVEMBER 2002 – Clairvest investee company, Gateway Casinos Inc., completed the IPO of Gateway Casinos Income Fund, a newly formed trust, established to acquire six of the 10 casinos managed by Gateway Casinos Inc. As a result of the transaction, Clairvest received \$66.4 million in loans from Gateway Casinos Inc., \$45.0 million of which was used to acquire 4.5 million units in Gateway Casinos Income Fund. Clairvest continues to hold a 28.4% ownership interest in Gateway Casinos Inc., which operates the remaining four casinos. Clairvest has already received distributions and loans exceeding the original capital invested in Gateway Casinos Inc.
- DECEMBER 2002 – Clairvest and CEP invested a combined \$11.9 million in Landauer Metropolitan Inc. for a combined 42.8% ownership interest. Landauer is the dominant supplier of home medical equipment in the New York City area, operating from a single facility in Mount Vernon, N.Y.
- JANUARY 2003 – Sparkling Spring Water Holdings Limited was sold to Groupe Danone and Clairvest received proceeds of Cdn\$48.6 million on closing. Clairvest has the potential, subject to a number of conditions including Danone's satisfaction with the representations and warranties, to receive over time an additional US\$4.5 million now being held in escrow. Clairvest had invested a total of \$12.0 million in Sparkling Spring Water, all of which had been recouped prior to the sale of the investment.
- MARCH 2003 – Clairvest investee company Signature Security Group completed the refinancing of its matured credit facilities with a three-year committed senior debt facility. This provides the company with the opportunity to focus on its significantly improving operations.

FOLLOWING A DISCIPLINED INVESTMENT STRATEGY



CO-CHIEF EXECUTIVE OFFICERS' MESSAGE

ALTHOUGH IT WAS A VERY DIFFICULT YEAR FOR PRIVATE EQUITY INVESTING OVERALL, ADHERENCE TO OUR STRATEGY – TO INVEST IN STRONG, DEFENSIBLE COMPANIES WITH PROVEN MANAGEMENT – HAS RESULTED IN OUR SUCCESS.

The value created over the last several years has been reflected in the growth in Clairvest's book value. Looking at the last six years (the period over which we have used fair value accounting), our compound annual growth rate (CAGR) has been 12.4% (on a pre-tax basis), which compares favourably to the S&P/TSX Composite Index's CAGR of 1.4% over the same time period. By adhering to our stringent investment principles, we have made solid investment decisions, which have resulted in successfully outpacing the market and, this year in particular, outpacing the industry.

ACHIEVEMENTS

We continued to follow our core philosophy – assisting in building solid businesses with impressive track records – and with this approach to investing, we have achieved superior results.

- Our two security companies, Voxcom and Signature, significantly improved their balance sheets. We assisted Voxcom in raising \$38.9 million of capital and Signature in securing a new three-year senior debt facility. Both companies are on strong footings to pursue their value creation strategies.
- Clairvest along with CEP invested \$20.0 million in Van-Rob Stampings Inc. Van-Rob's results for the year came in ahead of expectations and its first-rate management team continues to control costs, while growing the company.
- Clairvest and CEP made a US\$7.6 million joint investment in Landauer Metropolitan Inc., a medical equipment supplier. The company plans on becoming the dominant player in the Northeastern U.S.
- Gateway Casinos created a \$38.3 million pre-tax unrealized gain for Clairvest on the sale of six of its 10 casinos to an income trust.
- Substantial value was crystallized on the sale of Sparkling Spring Water to Group Danone, which generated a cash gain of \$48.7 million over the life of the investment.

These transactions resulted in a 23% increase in Clairvest's book value this year, which stands at \$10.92 per share, as at March 31, 2003.

ECONOMIC IMPACT

While several of our investments had excellent years, the challenging economic environment impacted Allied Global Holdings, Consolidated Vendors, Datamark and NRI.

- Allied Global Holdings had a transitional year in 2002 as it continued to integrate its 2001 U.S. acquisition of Recovery Bureau of America, Inc., and Allied felt the effects of a worsening collection environment. In 2003, Allied expects to expand internal sales efforts, bring on new customers and achieve positive results from its RBA acquisition.

- Consolidated Vendors was impacted by the depressed economy in Michigan where industrial employment continued to decline. The company will strive to maintain revenue and margin levels by organically expanding its customer base.
- Datamark was affected by the downturn in the airline industry and the increased popularity of electronic ticketing. Datamark's management team has an excellent track record of integrating acquisitions quickly, and as a market leader, Datamark will continue to seek out acquisitions, which will broaden its product offering and build on its strong operating cash flow.
- NRI's industrial business suffered as a result of low construction levels last year. Despite this challenge, the company managed to increase revenue and EBITDA and lower its debt. With a slowdown in the auto industry expected, NRI will work to drive efficiencies internally to grow its bottom line.

OUR ASSETS

We are confident in Clairvest's ability to generate long-term growth in value. We can be certain that our future success will depend on two key assets of the company.

First is the alignment of interests of key stakeholders. Clairvest management and board members are significant Clairvest shareholders. Clairvest is the largest contributor to the CEP pool and our investee management team members are shareholders in their own companies.

Second is the increasing experience and knowledge of Clairvest's management team. We have worked together for several years and our success is the result of carefully and methodically building our company from the bottom up.

OUTLOOK

While the economic environment remains challenging, this stage of an economic cycle is always a good time to invest – and we are well positioned as we have capital available. We will stick to our disciplines and use our proprietary research to find solid investments that fit our investment criteria and deliver superior, risk-adjusted returns.

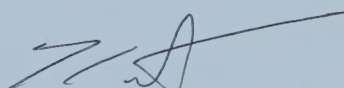
OUR THANKS

We would like to take this opportunity to thank two of our Directors, Tom Beck and Eph Diamond, who are stepping down from our Board. Both have been valued members of our Board since inception and we thank them for all of their guidance and support. We wish them success in their future endeavours.

Clairvest's success in 2003 resulted from the combined efforts of many people. We recognize and thank our employees and our investee management teams for their dedication and hard work, our shareholders for their confidence in this company and our Board of Directors for their active counsel and guidance.



Jeff Parr
Co-Chief Executive Officer
August 1, 2003



Ken Rotman
Co-Chief Executive Officer
August 1, 2003

SURFACING VALUE





ALIGNING INTERESTS OF KEY STAKEHOLDERS

CLAIRVEST PARTNERSHIPS

AT CLAIRVEST WE INVEST OUR OWN MONEY IN EVERYTHING WE DO. IT'S THE BEST WAY TO ALIGN THE INTERESTS OF ALL PARTIES TO A TRANSACTION.

CLAIRVEST EQUITY PARTNERS (CEP)

CEP is funded by outside investors who benefit from our proprietary research, deal flow and attractive long-term investment results. Clairvest has committed to invest in every CEP investment and its pro rata share is 25% of the combined investment.

Clairvest raised a total of \$164 million in third-party capital through CEP and committed to invest \$55 million of its own capital. To date, we have drawn approximately 35% of CEP's committed capital, which translates to \$58.2 million as at March 31, 2003.

Clairvest and CEP made two joint investments during the year: a \$20.0 million investment in Van-Rob Stampings and an \$11.9 million investment in Landauer Metropolitan. These new investments have been added to the Clairvest/CEP portfolio, which also includes investments in Allied Global Holdings and Consolidated Vendors.

THE FUTURE

We continue to search for investment opportunities that meet our rigorous standards and will produce a targeted gross IRR in excess of 25% on all invested capital. Each investment made on behalf of CEP will be between \$10 and \$30 million where Clairvest will co-invest with the Limited Partnership according to its pro rata commitment.

WELLINGTON FINANCIAL L.P. (THE BRIDGE FUND)

This \$7 million Bridge Fund is our initial foray into technology and bridge financings. Our strategy is to start small and with a partner that has expertise in financing technology companies in the capital markets. To date, the Bridge Fund has advanced 5 loans for a total of \$9.5 million, \$1.3 million of which is currently outstanding and the remainder of which has been repaid. Profits on these transactions, including realized and unrealized gains on the warrants held, is \$4.0 million.

THE WAY WE INVEST AT CLAIRVEST

At Clairvest we invest our own money in everything we do. In our experience, it's the best way to promote the common interest of all parties to a transaction. As the Directors and management of Clairvest are the largest shareholders of Clairvest, the best interests of all investors are fully aligned. This alignment flows down to the companies in which we invest as our management partners also have a considerable personal investment in the companies they operate. As long-term investors in illiquid situations, we are guided by a prudent and proven conservatism. Our approach to investing is bottom-up and value-based, stressing thorough independent research.

FOCUSED ON ACHIEVING SUPERIOR RESULTS



THE CLAIRVEST TEAM

THE EXPERIENCE OF CLAIRVEST'S MANAGEMENT TEAM IS ONE OF THE COMPANY'S BIGGEST ASSETS. GUIDED BY A SEASONED BOARD OF DIRECTORS, THE TEAM HAS BUILT THE COMPANY FROM THE BOTTOM UP.

MANAGEMENT TEAM

JEFF PARR – DIRECTOR, CO-CEO AND MANAGING DIRECTOR

Former partner at Canadian Mezzanine Investments Inc., manager of Merchant Banking at National Bank of Canada and auditor at Coopers & Lybrand. Sits on the Boards of Datamark, Consolidated Vendors, Gateway Casinos Inc., Gateway Casinos Income Fund and Signature.

KEN ROTMAN – DIRECTOR, CO-CEO AND MANAGING DIRECTOR

Former venture banker at Warburg Pincus. Has an MBA from New York University and an MSc from London School of Economics. Sits on the Boards of NRI, Allied, Voxcom, Landauer and Van-Rob.

JOHN FISHER – MANAGING DIRECTOR

Former corporate finance associate at Coopers & Lybrand and ScotiaMcLeod. Has a CA, and an MBA from the J.L. Kellogg School of Management, Northwestern University. Sits on the Boards of Consolidated Vendors and Allied.

MICHAEL WAGMAN – PRINCIPAL

Former merchant banker at BMO Nesbitt Burns Equity Partners and investment banking analyst at Nesbitt Burns. Has an HBA from the University of Western Ontario and is a CFA. Sits on the Boards of Signature, Gateway Casinos Inc. and Voxcom.

DAVID STURDEE – VICE-PRESIDENT

Former consultant with the Boston Consulting Group. Experience in financial services, automotive, telecommunications, utilities and pharmaceuticals. Holds a PhD in philosophy from the University of Toronto. Sits on the Board of Landauer.

LANA REIKEN – VICE-PRESIDENT FINANCE AND CORPORATE SECRETARY

Former Audit Manager at Ernst and Young LLP. Manages Clairvest's financial and public company reporting, tax planning, structuring and treasury operations.

HEATHER CRAWFORD – IN-HOUSE COUNSEL

Former Corporate Lawyer with Torys. Manages Clairvest's outside counsel and public company compliance.

MIKE CASTELLARIN – ASSOCIATE

Former consultant for the Monitor Company. Has an MBA from the J.L. Kellogg School of Management, Northwestern University. Sits on the Board of Datamark.

DENNIS DUSSIN – ASSOCIATE

Former investment banking analyst with BMO Nesbitt Burns. Has an MBA from Richard Ivey School of Business and is a CFA. Sits on the Board of NRI and acts as observer to the Board of Van-Rob.

MITCH GREEN – ASSOCIATE

Former leveraged finance associate at BNP Capital Markets and corporate finance analyst at Bank of America. Has an MBA from the University of Michigan Business School. Sits on the Board of Signature.

BOARD OF DIRECTORS

MICHAEL BREGMAN – ADVISOR AND DIRECTOR

Principal of XDL Intervest Capital Corporation. Former CEO of Second Cup Ltd. Sits on Clairvest's Audit Committee and the Board of Allied.

SYD COOPER – ADVISOR AND DIRECTOR

Built Pitts Engineering Construction into one of Canada's leading infrastructure construction companies. Sits on Clairvest's Audit Committee and the Board of Datamark.

EPH DIAMOND – ADVISOR AND DIRECTOR

The driving force in building Cadillac Fairview into one of North America's leading real estate companies. Sits on Clairvest's Compensation and Human Resources Committee.

JERRY HEFFERNAN – ADVISOR AND DIRECTOR

Chairman of Texas Industries Inc. Founded the steel company Co-Steel Inc. Chairs Clairvest's Compensation and Human Resources Committee, sits on the Board of Van-Rob and sits as Chairman of NRI.

JOE HEFFERNAN – CHAIRMAN, ADVISOR AND DIRECTOR

Chairman of Rothmans Inc. and former Deputy CEO of Rothmans International.

PHILIP ORSINO – ADVISOR AND DIRECTOR

President and CEO of Masonite International Corp. Chairs Clairvest's Audit Committee.

JOE ROTMAN – ADVISOR AND DIRECTOR

Founded and built Tarragon Oil and Gas. One of the original investors in Barrick Gold. Founded Clairvest in 1987.

LIONEL SCHIPPER – ADVISOR AND DIRECTOR

Former Chairman of Toronto Sun Publishing and former partner at Goodmans LLP. Sits on the Board of NRI.

ISSY SHARP – ADVISOR AND DIRECTOR

Founded and built Four Seasons Hotels. Sits on Clairvest's Compensation and Human Resources Committee.

ALLIED GLOBAL HOLDINGS INC.

ALLIED IS A LEADING INTERNATIONAL ACCOUNTS RECEIVABLE MANAGEMENT COMPANY WITH OPERATIONS IN CANADA, THE UNITED KINGDOM AND THE UNITED STATES. ALLIED IS A FAST GROWING COMPANY THAT IS WELL POSITIONED TO ACHIEVE SUSTAINABLE GROWTH THROUGH INTERNAL SALES EFFORTS AND STRATEGIC ACQUISITIONS.

BENEFITS FROM PAST ACQUISITION EXPECTED IN 2003.

OUR PERFORMANCE

2002 was a transitional year for Allied as it continued to integrate its 2001 U.S. acquisition, Recovery Bureau of America, Inc. (RBA), a California-based accounts receivable management company. Allied also felt the effects of a worsening collection environment.

WHERE WE'RE GOING

Allied will continue to grow its business in the U.S., Canada and the U.K. through a dedicated focus on improving and expanding internal sales efforts and completing strategic acquisitions. The company expects results to improve in 2003 as it begins to benefit from its U.S. acquisition and brings on new customers.

INDUSTRY OUTLOOK

The accounts receivable management industry is growing rapidly and has estimated annual agency fee revenues of US\$9 billion, C\$300 million and £300 million in the US, Canadian and UK markets respectively. The industry is growing at a rate of over 10% per annum, driven by strong growth in consumer debt levels and by a trend among credit grantors to turn over receivables to agencies earlier in the collection cycle.

For Clairvest this is an opportunity to invest with an entrepreneur that has gained a solid foothold in a growing and rapidly consolidating industry.

THE MANAGEMENT TEAM

Allied is led by its President, David Rae, who has a significant ownership stake in the company. Mr. Rae has over twenty years of experience in the accounts receivable management industry. Under Mr. Rae's leadership, Allied has demonstrated a strong commitment to operational

excellence through its ISO 9002 certification and was named one of Canada's 50 Best Managed Private Companies in 2002.

Ken Rotman, John Fisher and Michael Bregman of Clairvest sit on the Board of Directors of Allied.

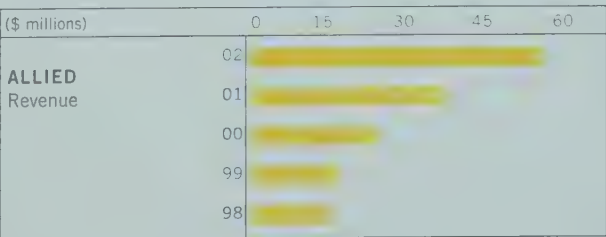
FINANCIAL PERFORMANCE (\$ MILLIONS)

YEAR ENDED DECEMBER 31	2000	2001	2002
Revenue	24.8	38.8	56.9
EBITDA	4.1	6.3	5.2
Net debt	0.1	3.5	4.6

INVESTMENT IN PREFERRED SHARES (\$ MILLIONS)

	MAR. 31, 2002	MAR. 31, 2003
Cost	3.0	3.0
Carrying value	3.2	3.6

OWNERSHIP (FULLY DILUTED)	
Clairvest	8.3
CEP	24.9
Management	66.8



CONSOLIDATED VENDORS CORPORATION

CONSOLIDATED VENDORS OWNS AND SERVICES APPROXIMATELY 4,500 VENDING MACHINES THROUGHOUT MICHIGAN AND ILLINOIS. SERVICING PRIME INDUSTRIAL, RETAIL AND OFFICE LOCATIONS IN THE MIDWEST, CONSOLIDATED VENDORS PROVIDES CUSTOMERS WITH A BROAD RANGE OF QUALITY FOOD AND BEVERAGE PRODUCTS.

POSITIONED TO PARTICIPATE IN A CONSOLIDATING INDUSTRY.

OUR PERFORMANCE

After a challenging year in 2001, and in response to a difficult economic environment in the U.S. Midwest, Consolidated Vendors used 2002 to streamline its business and strengthen its operations. The company experienced a slight increase in revenue and a substantial improvement in EBITDA as a result of these efforts.

WHERE WE'RE GOING

Clairvest and CEP purchased Consolidated Vendors' senior bank debt at a discount in May 2002. As a result, Consolidated Vendors has reduced its financial leverage considerably and increased its operating flexibility. The company's results are expected to increase over time as manufacturing industry activity rebounds in the Midwest and it continues to pursue organic growth opportunities. The company will evaluate strategic add-on acquisitions in its existing markets in order to gain regional economies of scale.

INDUSTRY OUTLOOK

In the United States the ownership and servicing of vending machines is a US\$20 billion per year business. The vending industry in the U.S. is highly fragmented with more than 9,000 operators, approximately 97% of which generate annual revenue of less than US\$10 million. For Clairvest, this investment represents an opportunity to participate in a consolidating industry by investing with an entrepreneur who provides superior service and a disciplined approach to management.

THE MANAGEMENT TEAM

Consolidated Vendors is led by Michael Kelner, a successful entrepreneur with many years of experience in the vending industry. Mr. Kelner's prior management experience at GE provided him with the necessary leadership and business

experience to grow Consolidated Vendors from US\$2 million to US\$28 million today. The management team has been further strengthened by the addition of CFO Gary Rose.

Jeff Parr and John Fisher of Clairvest sit on the Board of Directors of Consolidated Vendors.

FINANCIAL PERFORMANCE (US\$ MILLIONS)

YEAR ENDED DECEMBER 31	2000	2001	2002
Revenue	31.9	27.6	28.0
EBITDA	3.6	1.8	2.6
Net third-party debt	14.2	15.4	1.2

INVESTMENT IN COMMON AND PREFERRED SHARES AND SENIOR LOANS (\$ MILLIONS)

	MAR. 31, 2002	MAR. 31, 2003
Cost	2.9	6.0
Carrying value	3.6	6.1

OWNERSHIP (FULLY DILUTED)	
Clairvest	17.7
CEP	53.1
Management	29.2

(US\$ millions)	0	5	10	15	20	25	30
CONSOLIDATED VENDORS	02						
Revenue	01						
	00						
	99						
	98						

DATAMARK SYSTEMS GROUP INC.

DATAMARK SPECIALIZES IN PROVIDING CUSTOMERS WITH END-TO-END DOCUMENT MANAGEMENT SERVICES. THESE SERVICES INCLUDE CUSTOMIZED PRINT DESIGN, PRODUCTION, COST CONTROL AND REPORTING, AND WAREHOUSING AND DISTRIBUTION. DATAMARK IS GROWING ITS NORTH AMERICAN CUSTOMER BASE THROUGH ACQUISITIONS, STRATEGICALLY LOCATED PRODUCTION FACILITIES AND A NETWORK OF DIRECT SALES PROFESSIONALS.

A SLOWING INDUSTRY IS DRIVING CONSOLIDATION.

OUR PERFORMANCE

2002 was a difficult year for Datamark due to its exposure to the travel and airline industries and the challenging economic climate. Despite these challenges, Datamark produced strong cash flow, paid down \$4.0 million of debt and paid out \$1.9 million in dividends.

WHERE WE'RE GOING

In 2003, Datamark will focus on cost control and take advantage of a consolidating industry by acquiring weaker competitors, reducing industry capacity. It will also look to enter new markets, specifically in labels and commercial print.

Datamark's purchase of Sheraton Business Forms in Q1 2003 will add \$9.5 million in annual revenue and increase Datamark's profile on a national level.

INDUSTRY OUTLOOK

The slowdown in the economy is expected to put increased pressure on one-dimensional competitors in this mature industry. As a market leader, offering a variety of products and services, Datamark is positioned to benefit from weak competitors and take advantage of the consolidation trend in the industry.

THE MANAGEMENT TEAM

Having over 20 years of experience and partnership, Jeffrey Zunenshine and Claude Perrotte have built Datamark from a \$2 million revenue company in 1982 to the industry leader it is today. Clairvest has actively assisted the management over the last six years while the company completed four acquisitions and increased the size and market reach of the company.

Jeff Parr, Mike Castellarin and Syd Cooper of Clairvest sit on the Board of Directors of Datamark.

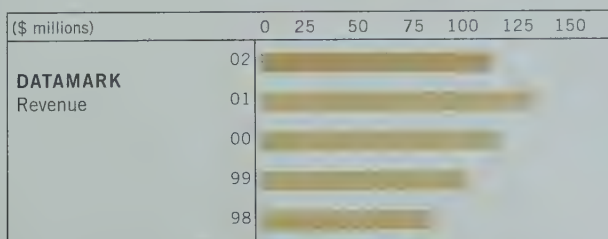
FINANCIAL PERFORMANCE (\$ MILLIONS)

YEAR ENDED DECEMBER 31	2000	2001	2002
Revenue	117.9	128.9	113.2
EBITDA	11.0	12.9	9.2
Margin	9.3%	10.0%	8.1%
Dividends paid	6.5	3.8	1.9
Net debt	23.1	16.0	12.0

INVESTMENT IN COMMON SHARES (\$ MILLIONS)

	MAR. 31, 2002	MAR. 31, 2003 ⁽¹⁾
Cost	14.4	14.4
Carrying value	16.6	11.7

(1) Excludes \$12.7 million in dividends received from inception to March 2003.



GATEWAY CASINOS INC. AND GATEWAY CASINOS INCOME FUND

GATEWAY CASINOS RECENTLY COMPLETED THE IPO OF GATEWAY CASINOS INCOME FUND, WHICH WAS CREATED TO ACQUIRE SIX OF THE 10 CASINOS MANAGED BY GATEWAY CASINOS. COLLECTIVELY, GATEWAY IS THE LARGEST CASINO OPERATOR IN WESTERN CANADA.

SUCCESSFULLY COMPLETED IPO OF INCOME FUND.

OUR PERFORMANCE

2002 was a very busy and successful year for Gateway Casinos. During the summer, Gateway Casinos grew through completing the acquisitions of the Baccarat Casino in Edmonton and Lake City Casinos, which it financed entirely with debt. After the successful IPO of Gateway Casinos Income Fund in November 2002, Gateway Casinos sold six mature casinos to the income fund. The remaining casinos will remain in the private company until they can be considered mature.

WHERE WE'RE GOING

Gateway Casinos has plans to: relocate its existing New Westminster casino to a new casino in the municipality of Langley, where we expect it to house at least 300 slot machines when it opens; relocate the Star of Fortune Riverboat casino, in which it recently purchased a 50% interest, to a larger land-based casino development; and rebuild the Baccarat casino, which currently has approximately 300 slots, to include 600 to 1,000 slots.

INDUSTRY OUTLOOK

The Canadian casino and gaming industry has experienced tremendous growth in recent years, and prospects for the industry remain strong. Gaming revenue earned by provincial governments represented, on average, 5.2% of total government revenue. In Alberta, gaming revenue to the province increased from \$125 million to \$954 million between 1992 and 2000, with 2000 revenue representing 6.3% of Alberta government revenue. In British Columbia, gaming revenue for the same period grew from \$239 million to \$539 million and in 2000 represented 3.6% of B.C. government revenue.

Additionally, we expect that the recent focus of the B.C. government on targeting increased gaming revenue will help to bring B.C. up to the Canadian average.

THE MANAGEMENT TEAM

Gateway Casinos' CEO Ray McLean leads a senior management team of seasoned industry professionals including President, Dave Gadhia and CFO, Bradley Bardua. This team is supported by Vice Presidents Dan McLean, Monique Wilberg, Howard Worell and Steve Kumpf.

Jeff Parr and Michael Wagman of Clairvest sit on the Board of Directors of Gateway Casinos and Jeff Parr sits on the Board of Trustees of Gateway Casinos Income Fund.

INVESTMENT IN GATEWAY CASINOS (\$ MILLIONS)

	MAR. 31, 2002	MAR. 31, 2003 ⁽¹⁾
Cost	24.0	24.0
Carrying value	30.0	68.4

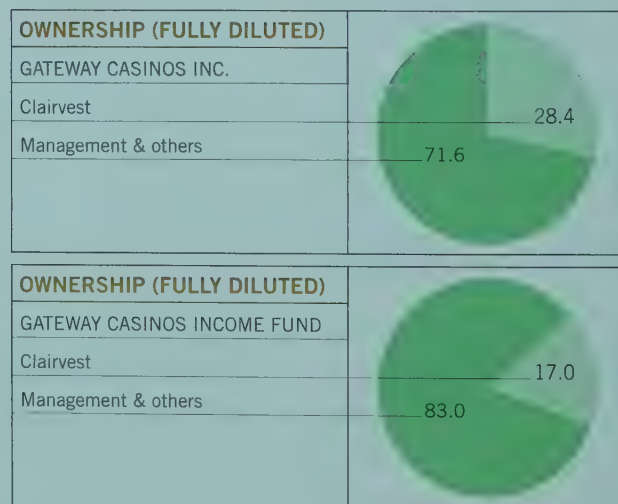
(1) Excludes \$21.4 million in loans, \$4.3 million in taxable distributions, and \$0.6 million in dividends received to March 2003.

INVESTMENT IN GATEWAY CASINOS INCOME FUND

(\$ MILLIONS)

	MAR. 31, 2003 ⁽²⁾
Cost	45.0
Carrying value	42.8

(2) Excludes \$45.0 million in loans and \$1.4 million in distributions received to March 2003.



LANDAUER METROPOLITAN INC.

LANDAUER IS THE DOMINANT HOME MEDICAL EQUIPMENT (HME) SUPPLIER IN THE NEW YORK CITY AREA. THE COMPANY SELLS AND RENTS DURABLE MEDICAL EQUIPMENT, RESPIRATORY EQUIPMENT, REHABILITATION EQUIPMENT AND MEDICAL SUPPLIES FOR USE IN THE HOME SETTING.

MANAGEMENT INITIATIVES FUELLED BOTTOM LINE GROWTH.

OUR PERFORMANCE

Since 1996, Landauer has grown from US\$3 million in net revenue to US\$31 million through a combination of organic growth and acquisitions. During the current year, management focused on growing the bottom line. It enhanced its complex billings and collections functions, which significantly improved cash collections and reduced its provision for bad debt. Management also began replacing low margin supplies-based revenue with higher margin respiratory and rehabilitation business. Overall, these initiatives were successful, fuelling a 23% increase in EBITDA over the previous year.

WHERE WE'RE GOING

For the coming year, Landauer will continue to improve the billings and collections functions to position itself for growth. Over the next five to six years, Landauer plans to grow into a US\$100 million HME company – an initiative that can be achieved through a combination of aggressive sales efforts and acquisitions.

INDUSTRY OUTLOOK

The HME supply industry in the United States is US\$12 billion and growing by more than 10% per year. Growth in the industry is being driven by the needs of an ageing population, together with the relatively low cost of in-home care relative to hospitals and nursing homes. The industry is highly fragmented with more than 2,000 operators, the top 10 of which control just 25% of the market.

The industry is dependent on reimbursement from government sponsored programs such as Medicare and Medicaid, and as a result is susceptible to regulatory changes, including changes to the reimbursement rates paid for some or all of the company's products and services. We believe that as the dominant HME supply company in the New York City area, Landauer is better positioned than most to weather any regulatory changes that may occur.

THE MANAGEMENT TEAM

Alan Landauer, Landauer's CEO, leads an experienced senior management team that includes Lou Rocco, President; Joe Luceri, CFO; and Sal Burdi, EVP Sales & Marketing.

Ken Rotman and David Sturdee of Clairvest sit on the Board of Directors of Landauer.

FINANCIAL PERFORMANCE (US\$ MILLIONS)

YEAR ENDED MARCH 31	2001	2002	2003 ⁽¹⁾
Revenue	29.5	31.1	31.1
EBITDA	3.4	3.8	4.6
EBITDA margin	11.5%	12.2%	14.9%
Net debt	11.5	11.5	4.0

(1) Unaudited; EBITDA is before a one-time bad debt charge against prior years' revenue.

INVESTMENT IN PREFERRED SHARES (\$ MILLIONS)

	MAR. 31, 2003
Cost	3.0
Carrying value	3.1

OWNERSHIP (FULLY DILUTED)	
Clairvest	10.7
CEP	32.1
Management	54.3
Others	2.9

(US\$ millions)	0	7	14	21	28	35
LANDAUER Revenue	03					
	02					
	01					
	00					
	99					

NRI INDUSTRIES INC.

NRI CONVERTS SCRAP RUBBER INTO PRODUCTS THAT MEET RIGID QUALITY STANDARDS AT COMPETITIVE PRICES. AS A TIER 1 SUPPLIER TO THE MAJOR AUTOMOTIVE MANUFACTURERS, NRI IS ABLE TO EXPLOIT ITS TECHNOLOGY-BASED COMPETITIVE ADVANTAGE TO ULTIMATELY GENERATE INDUSTRY-LEADING MARGINS.

PROCESS INVESTMENTS RESULTED IN IMPROVED PERFORMANCE.

OUR PERFORMANCE

In 2002, revenue was \$56.2 million, and EBITDA was \$7.6 million, an increase of 8.9% and 58.3%, respectively, over 2001. EBITDA margin increased significantly to 13.5%, and debt was reduced by almost \$1 million. The improvement in performance demonstrated in 2002 was the result of major new process investments made in 2000 and 2001 to dramatically lower the company's cost structure – it invested \$7.7 million in continuous curing process technology. The company has started to see the benefits of this investment and as it further exploits the potential of this technology, results are expected to return toward historical levels.

WHERE WE'RE GOING

The rate of new product awards has been impressive, in both the automotive and industrial segments, as existing customers have recognized the wide range of product capabilities and value-added engineering services that NRI offers.

NRI has also been making great strides in establishing new customer relationships with foreign automakers such as Nissan and Toyota. NRI's sales volumes with the foreign automakers increased more than 74% in 2002, compared to 2001.

We expect to see reasonable growth in NRI's automotive revenue over the next few years. Meanwhile, moderate growth is expected for the non-automotive market segment, where newly developed manufacturing technology is expected to open opportunities in building construction, industrial and athletic flooring.

INDUSTRY OUTLOOK

Results will be impacted by the automotive and general economic slowdown in the near term. Despite these challenges, we believe NRI will remain competitive as it leverages its combined advantages of low cost recycled rubber materials and efficient conversion processes to win market share.

THE MANAGEMENT TEAM

Mike Schnekenburger, an experienced automotive industry executive and engineer, is NRI's CEO. Mr. Schnekenburger, along with a team of senior manufacturing and marketing executives, has transformed NRI from a marginally competitive provider of rubber parts into a niche player with a meaningful cost advantage.

Ken Rotman, Dennis Dussin, Jerry Heffernan and Lionel Schipper of Clairvest sit on the Board of Directors of NRI. Mr. Heffernan is also Chairman of NRI.

FINANCIAL PERFORMANCE (\$ MILLIONS)

YEAR ENDED DECEMBER 31	2000	2001	2002
Revenue	63.0	51.6	56.2
EBITDA	8.6	4.8	7.6
Margin	13.7%	9.3%	13.5%
Net debt	23.7	16.9	16.0

INVESTMENT IN COMMON AND PREFERRED SHARES (\$ MILLIONS)

	MAR. 31, 2002	MAR. 31, 2003
Cost	17.6	17.6
Carrying value	25.2	24.9

OWNERSHIP (FULLY DILUTED)

Clairvest
Management and others

84.7
15.3

(\$ millions)	0	15	30	45	60	75
NRI	02					
Revenue	01					
	00					
	99					
	98					

SIGNATURE SECURITY GROUP HOLDINGS PTY. LIMITED

SIGNATURE IS A FULL-SERVICE ELECTRONIC SECURITY COMPANY SERVING AUSTRALIA AND NEW ZEALAND, WHERE IT SELLS, INSTALLS, SERVICES AND MONITORS ALARM SYSTEMS FOR RESIDENTIAL AND COMMERCIAL CUSTOMERS. THE COMPANY IS ONE OF THE TOP THREE ELECTRONIC SECURITY PROVIDERS IN AUSTRALIA, AND ONE OF THE LARGEST FULL-SERVICE PROVIDERS IN NEW ZEALAND.

DISCIPLINED OPERATING MODEL DROVE PERFORMANCE IN 2003.

OUR PERFORMANCE

During the year, Signature improved both operating metrics and financial performance, yielding impressive results. The company benefited from its disciplined operating model, which reduced the cost of acquiring new customers and increased revenue generated per subscriber. The company increased upfront revenue on commercial accounts, driving revenue and EBITDA improvements of 8.7% and 18.9%, respectively. In this steady subscriber environment, Signature is expected to maintain its disciplined approach and maximize return on capital.

WHERE WE'RE GOING

Signature's solid performance enabled the replacement of its short-term credit facility with a new \$85 million, three year senior debt facility. This facility enables the company to refocus its efforts on external growth and capitalize on its best-in-class internal economic model. With a solid operational platform in place and a reasonable capital structure, management is confident in the prospects of the company going forward. The company will create equity value through organic growth and debt amortization.

INDUSTRY OUTLOOK

Signature continues to operate in an aggressive competitive environment; however, evidence suggests that multinational competitors are considering more rational customer acquisition programs. The market share of the three largest competitors combined is roughly flat at 60%, with the rest of the industry comprised of several thousand independent operators. Management believes that Signature's current operating model best positions the company for responsible growth as the industry evolves.

THE MANAGEMENT TEAM

In his second full year as CEO of Signature, Howard Watson led a successful debt recapitalization and positioned the company for growth.

Jeff Parr, Michael Wagman, and Mitch Green of Clairvest sit on the Board of Directors of Signature.

FINANCIAL PERFORMANCE (AUS\$ MILLIONS)

YEAR ENDED MARCH 31	2001	2002	2003
Revenue	52.2	55.2	60.0
EBITDA	20.9	22.8	27.1
Margin	40.0%	41.3%	45.2%
Monthly monitoring revenues	3.8	3.8	3.9
Net third-party debt	126.2	91.3	76.9

INVESTMENT IN ORDINARY SHARES AND LOANS (\$ MILLIONS)

	MAR. 31, 2002	MAR. 31, 2003
Cost	28.4	28.4
Carrying value	28.7	28.4

OWNERSHIP (FULLY DILUTED)	
Clairvest	39.4
Management & others	60.6

(AUS\$ millions)	0	15	30	45	60	75
SIGNATURE	03					
Revenue	02					
	01					
	00					
	99					

VAN-ROB STAMPINGS INC.

VAN-ROB IS A "BEST-IN-CLASS" TIER 1 SUPPLIER OF METAL ASSEMBLIES AND MODULAR SYSTEMS TO THE NORTH AMERICAN AUTO SECTOR. PRIMARILY SERVING THE "BIG 3" DOMESTIC AUTOMAKERS AND THEIR SUPPLIERS, VAN-ROB OPERATES FOUR PLANTS IN ONTARIO AND ONE THROUGH A JOINT-VENTURE IN MEXICO.

SEVEN-TIME WINNER OF GM'S SUPPLIER OF THE YEAR AWARD.

OUR PERFORMANCE

Management at Van-Rob has done an exceptional job growing the business and expanding margins in a very competitive industry and a difficult economic environment. At the company's Canadian operations, revenue and EBITDA increased 13.4% and 30.1%, respectively, in 2002 compared to the previous year.

Van-Rob's success in exceeding customer requirements has caused automotive companies to continue awarding the company new business, which has driven revenue growth. The profitability increase has been the result of Van-Rob's organizational focus on continuous improvement and cost reductions. In recognition of its excellence, GM awarded Van-Rob the Supplier of the Year award, once again – its seventh win in the 11 years that the award has existed.

WHERE WE'RE GOING

We expect Van-Rob to continue growing organically as a result of new business won from current customers. In addition to growing organically, Van-Rob is also pursuing an acquisition strategy that will allow it to offer new product capabilities to existing customers and to access new customer relationships with its current product capabilities.

INDUSTRY OUTLOOK

The outlook for the automotive industry remains uncertain as sales volumes of automobiles have declined from last year's levels. Volumes are expected to remain lower for the rest of the year.

In this highly competitive industry, the "Big 3" continue to demand better service and quality from suppliers, as well as annual price reductions. The "Big 3" are also aggressively culling their supply base, and those chosen to survive, such as Van-Rob, should see an increasing share of business.

THE MANAGEMENT TEAM

Van-Rob is led by founder and majority owner Peter van Schaik. Mr. van Schaik founded the company in 1980 and has surrounded himself with a team of experienced and knowledgeable senior managers including Bruce Johnson, who serves as President.

Ken Rotman and Jerry Heffernan of Clairvest sit on the Board of Directors of Van-Rob and Dennis Dussin acts as an observer to the Board.

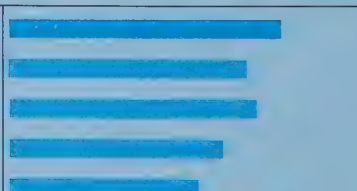
FINANCIAL PERFORMANCE OF CANADIAN OPERATIONS (\$ MILLIONS)

YEAR ENDED DECEMBER 31	2000	2001	2002
Revenue	193.2	187.1	212.1
EBITDA	18.5	25.6	33.3
Margin	9.6%	13.7%	15.7%
Net debt	49.0	40.4	30.0

INVESTMENT IN PREFERRED SHARES (\$ MILLIONS)

MAR. 31, 2003	
Cost	5.0
Carrying value	5.0

OWNERSHIP (FULLY DILUTED)	
Clairvest	5.0
CEP	15.0
Management	80.0

(\$ millions)	0	50	100	150	200	250
VAN-ROB STAMPINGS	02					
Revenue from Canadian	01					
Operations	00					
	99					
	98					

VOXCOM INCORPORATED

VOXCOM INSTALLS AND MONITORS ELECTRONIC SECURITY SYSTEMS AND LIFE CALL MEDICAL ALERT SYSTEMS THROUGHOUT CANADA. THE COMPANY OPERATES A 24-HOUR MONITORING STATION IN EDMONTON PROVIDING NATIONWIDE SERVICE. VOXCOM IS THE FOURTH LARGEST COMPETITOR IN CANADA.

STRONGER FINANCIAL POSITION PREPARES COMPANY FOR GROWTH.

OUR PERFORMANCE

Revenue decreased 2.5% compared to last year, however, EBITDA margins grew from 46.5% to 50.4%. Since the recapitalization in June 2002, management has been successful in undertaking two main initiatives. First, the company shut down all unprofitable business lines, as well as those less profitable than the base business, so that it could focus on the installation and monitoring of electronic security systems. Second, the team worked to ramp up the sales system, which included growing its network of third-party dealers and affinity partner relationships, to achieve sustainable future growth. Voxcom has signed up a number of both dealers and affinity marketing partners and in each successive month has shown improvement in the number of new customers.

WHERE WE'RE GOING

In the year ahead, Voxcom plans to lead the industry by growing in a controlled and significantly improved economic environment. Voxcom will grow steadily by focusing on attrition and quality of new customers. Management will also continue to monitor and evaluate acquisition opportunities.

INDUSTRY OUTLOOK

The size of the Canadian electronic security market is approximately \$275 million, highly fragmented and growing at an annual rate of 10–15%. Penetration of the residential market is currently 15% and expected to continue growing over the next several years. In the U.S. market, we expect to see ownership changes to a number of larger profile security companies.

THE MANAGEMENT TEAM

Voxcom is led by Brad Sparrow and an experienced senior management team. Mr. Sparrow has transformed Voxcom from a marginally profitable start-up in the

medical alert business to a leader in the Canadian electronic security industry.

Ken Rotman and Michael Wagman of Clairvest sit on the Board of Directors of Voxcom.

FINANCIAL PERFORMANCE (\$ MILLIONS)

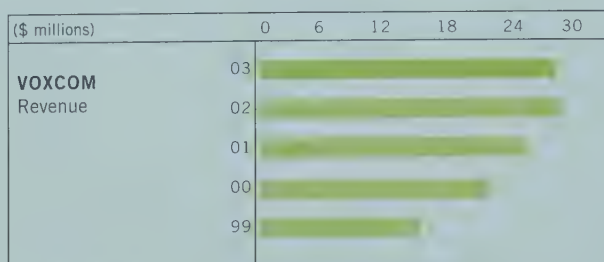
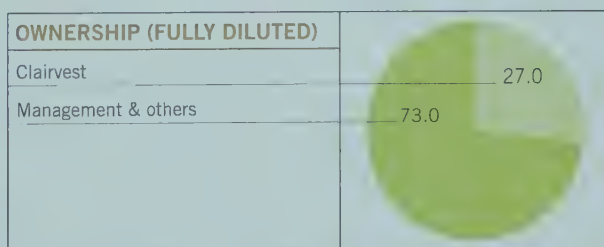
YEAR ENDED FEBRUARY 28	2001	2002	2003 ⁽¹⁾
Revenue	25.4	27.7	27.0
EBITDA	7.2	12.9	13.6
Margin	28.3%	46.5%	50.4%
Monthly monitoring revenue	1.8	1.9	1.9
Net debt	63.2	66.6	37.7

(1) EBITDA and margin before one-time charges associated with the recapitalization.

INVESTMENT IN COMMON AND PREFERRED SHARES AND DEBENTURES (\$ MILLIONS)

	MAR. 31, 2002	MAR. 31, 2003 ⁽²⁾
Cost	6.7	12.8
Carrying value	7.3	11.6

(2) Excludes \$3.6 million of fees and interest rolled into the investment.



MANAGEMENT'S DISCUSSION AND ANALYSIS

As at, and for the year ended, March 31, 2003

The following is a review and analysis of Clairvest Group Inc.'s financial results, financial position, risks and opportunities. It should be read in conjunction with the Co-Chief Executive Officers' Message, the Review of Investments and the Consolidated Financial Statements.

INTRODUCTION

Clairvest Group Inc. ("Clairvest" or the "Company") is a Canadian merchant bank that specializes in partnering with management teams and other stakeholders of both emerging and established companies. Clairvest focuses on a small number of carefully selected companies and actively participates in the building of these organizations. Clairvest invests its own capital, and that of third parties, through Clairvest Equity Partners Limited Partnership ("CEP"), in companies that have the potential to generate superior returns.

At March 31, 2003, Clairvest had ten core investments in eight different industries. Four of these investments were joint investments with CEP. Clairvest also held an investment in Wellington Financial L.P. ("the Bridge Fund"), a joint venture between Clairvest and Orion Securities Inc. (formerly Yorkton Securities Inc.).

OVERVIEW OF FISCAL 2003

During the year ended March 31, 2003, Clairvest sold its investment in Sparkling Spring Water Holdings Limited ("Sparkling Spring"), completed the initial public offering (IPO) of Gateway Casinos Income Fund ("Gateway Income Fund") and made initial and follow on investments in several companies. Several of Clairvest's investee companies also underwent refinancings or recapitalizations during the year and Clairvest filed a Normal Course Issuer Bid. An overview of these events follows:

- Groupe Danone of France acquired all of the outstanding shares of Sparkling Spring. Clairvest received proceeds of Cdn\$48.6 million on closing and has the potential, subject to a number of conditions including Danone's satisfaction with the representations and warranties, to receive over time an additional US\$4.5 million now being held in escrow. Prior to this transaction, Clairvest had recouped 100% of its initial investment in Sparkling Spring.
- Gateway Casinos Inc. ("Gateway Casinos"), after acquiring five casinos in Western Canada, completed the IPO of Gateway Income Fund, a newly formed trust established to acquire six of the 10 casinos managed by Gateway Casinos. As a result of the transaction, Clairvest received \$66.4 million in loans from Gateway Casinos and a subsidiary of Gateway Casinos, \$45.0 million of which was used to acquire 4,501,970 units in Gateway Income Fund. At March 31, 2003, Clairvest continued to hold 4,501,970 units in Gateway Income Fund, representing a 17.0% ownership interest. Clairvest also held a 28.4% ownership interest in Gateway Casinos, which operates the remaining four casinos.

MANAGEMENT'S DISCUSSION AND ANALYSIS

- Clairvest and CEP invested in Van-Rob Stampings Inc. ("Van-Rob"), a supplier of metal stampings and welded assemblies to the North American auto sector. Clairvest's portion of this investment consists of 5,000,000 Class A special convertible shares, which were acquired for \$5.0 million. At March 31, 2003, Clairvest's fully diluted interest was 5.0%, and the Clairvest / CEP combined ownership interest was 20.0%.
- Clairvest and CEP invested in Landauer Metropolitan Inc. ("Landauer"), a supplier of home medical equipment in the New York City area. Clairvest's portion of this investment consists of 1,906,250 10% cumulative convertible preferred shares, which were acquired for \$3.0 million. At March 31, 2003, Clairvest's fully diluted interest was 10.7%, and the Clairvest / CEP combined ownership position was 42.8%.
- Voxcom Incorporated ("Voxcom") completed a recapitalization, consisting of a \$38.9 million equity investment and a new \$70.0 million bank credit facility. As part of the transaction, Clairvest converted its existing \$8.6 million of debentures and invested an additional \$2.9 million for a total of 11,485,900 convertible retractable preferred shares. At March 31, 2003, Clairvest's fully diluted ownership interest was 27.0%.
- Clairvest, CEP and certain members of management of Consolidated Vendors Corporation ("Consolidated Vendors") purchased, at a discount, all of the senior bank debt of Consolidated Vendors for US\$7.0 million. Clairvest's share of the purchase price was \$2.7 million (US\$1.7 million), representing US\$3.3 million of the face value of the bank debt.
- Signature Security Group Holdings Pty. Limited ("Signature") completed the refinancing of its matured credit facilities with a three-year committed senior debt facility.
- Clairvest filed a Normal Course Issuer Bid enabling it to make market purchases of up to 1,046,427 of its common shares in the 12-month period commencing March 4, 2003. As at June 30, 2003, Clairvest had purchased 632,152 common shares at a total cost of \$4.7 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS

SUMMARY OF CLAIRVEST'S INVESTMENTS AT MARCH 31, 2003

Investment	Trading Symbol and Exchange	Ownership Percentage ⁽¹²⁾	Cost of Investment (millions)	Net Cash Investment (millions) ⁽¹³⁾	Carrying Value of Investment (millions) ⁽¹⁴⁾	Description of Business
PUBLICLY-TRADED INVESTMENTS						
Datamark Systems Group Inc. ⁽¹⁾	DMK – TSX	36.5%	\$ 14.4	\$ 1.7	\$ 11.7	A business document management company with operations in Canada and the United States.
Gateway Casinos Income Fund ⁽²⁾	GCI.UN-TSX	17.0%	\$ 45.0	\$ (0.2)	\$ 42.8	A trust established to acquire six of the 10 casinos managed by Gateway Casinos Inc.
Voxcom Incorporated ⁽³⁾	VOX – CDNX	27.0%	\$ 12.8	\$ 9.2	\$ 11.6	A security company that sells, installs, services and monitors security alarm systems for residential and commercial subscribers in Canada.
PRIVATELY-HELD INVESTMENTS						
Allied Global Holdings Inc. ⁽⁴⁾	Private	8.3%	\$ 3.0	\$ 3.0	\$ 3.6	An international accounts receivable management company with operations across Canada, the United States and the United Kingdom.
Consolidated Vendors Corporation ⁽⁵⁾	Private	17.7%	\$ 6.0	\$ 6.0	\$ 6.1	An independent vending operator in Michigan and Illinois, providing a full range of vended products.
Gateway Casinos Inc. ⁽⁶⁾	Private	28.4%	\$ 24.0	\$ (2.3)	\$ 68.4	A gaming management company that operates casinos in Western Canada.
Landauer Metropolitan Inc. ⁽⁷⁾	Private	10.7%	\$ 3.0	\$ 3.0	\$ 3.1	The dominant supplier of home medical equipment in the New York City area.
NRI Industries Inc. ⁽⁸⁾	Private	84.7%	\$ 17.6	\$ 17.6	\$ 24.9	A North American company that converts scrap rubber into value-added manufactured products.
Signature Security Group Holdings Pty. Limited ⁽⁹⁾	Private	39.4%	\$ 28.4	\$ 28.4	\$ 28.4	An electronic security company serving Australia and New Zealand.
Van-Rob Stampings Inc. ⁽¹⁰⁾	Private	5.0%	\$ 5.0	\$ 5.0	\$ 5.0	A supplier of metal stampings and welded assemblies to the North American auto sector.
Wellington Financial L.P. ⁽¹¹⁾	Private	71.4%	\$ 2.6	\$ 1.8	\$ 4.2	Provides bridge financing to growth companies in the technology and health sciences industries.
OTHER INVESTMENTS			\$ 0.4	\$ 0.4	\$ 0.4	
TOTAL INVESTMENTS			\$ 162.2	\$ 73.6	\$ 210.2	

(1) Clairvest owns 4,675,670 common shares in Datamark. Clairvest received a total of \$12.7 million in tax-free dividends from Datamark to March 31, 2003, resulting in a net cash investment at March 31, 2003 of \$1.7 million. Carrying value is based on the quoted market price.

(2) Clairvest owns 4,501,970 units in Gateway Income Fund. The \$45.0 million investment was funded with a loan from a subsidiary of Gateway Casinos. The net cash investment is in a negative position as a result of the \$45.0 million loan and \$1.4 million of distributions received, net of \$1.2 million of interest paid on the loan. Carrying value is based on the quoted market price less a discount due to Clairvest's hold period and estimated cost of disposition.

(3) Clairvest owns 230,000 common shares and 11,485,900 convertible retractable preferred shares in Voxcom. Clairvest rolled \$3.6 million of fees and interest into preferred shares, resulting in a net cash investment of \$9.2 million. Carrying value is based on the quoted market price for the common shares, and cost for the preferred shares.

(4) Clairvest owns 33,000 10% convertible Class B preferred shares in Allied. Carrying value is based on cost plus accrued dividends.

(5) Clairvest owns 2,500 Class A preferred shares and 10,229 common shares in Consolidated Vendors. Carrying value is based on cost, adjusted for foreign exchange. Clairvest also holds US\$3.3 million of senior debt and a \$0.5 million short-term loan. Carrying value of the senior debt is based on cost plus accrued interest, and for the the short-term loan is accrued value, all adjusted for foreign exchange.

(6) Clairvest owns 28.4% of a limited partnership that owns Gateway Casinos. The net cash investment is in a negative position as a result of a \$21.4 million loan received from Gateway Casinos, \$4.3 million in taxable distributions and \$0.6 million in dividends received. The investment is carried at cost plus a \$44.4 million cumulative upward adjustment to the carrying value.

(7) Clairvest owns 1,906,250 10% cumulative convertible preferred shares in Landauer. Carrying value is based on cost plus accrued dividends, adjusted for foreign exchange.

(8) Clairvest owns 86,000 common shares, 6.0 million Class A preferred shares, 2.0 million Class D preferred shares and 4.5 million Class E preferred shares in NRI. The common shares are carried at cost and the Class A, Class D and Class E preferred shares are carried at redemption value plus accrued dividends to March 31, 2002. No dividends were accrued during fiscal 2003.

(9) Clairvest owns 214,866,491 ordinary shares in Signature through its wholly-owned subsidiary, Clairvest Group International (Netherlands) B.V., and has loans totalling \$8.2 million to Signature and to a special purpose corporate entity. Carrying value of the ordinary shares and loans is based on cost, adjusted for foreign exchange.

(10) Clairvest owns 5,000,000 Class A special convertible shares in Van-Rob. Carrying value is based on cost.

(11) Clairvest has committed to fund \$5.0 million to the Bridge Fund, \$2.6 million of which was funded at March 31, 2003. Clairvest has received \$0.8 million in distributions, resulting in a net cash investment of \$1.8 million. Carrying value is based on the underlying value of the loans and warrants held by the Bridge Fund.

(12) Ownership percentage calculated on a fully diluted basis at March 31, 2003.

(13) Net cash investment is cost net of dividends, interest and other distributions received but excludes advisory and other fees received.

(14) Carrying value is calculated using the fair value method, under which the determination of fair value incorporates the quoted market value of Clairvest's publicly-traded investments, and cost for privately-held investments unless an adjustment is considered appropriate and supported by persuasive and objective evidence.

MANAGEMENT'S DISCUSSION AND ANALYSIS

ANALYSIS OF FINANCIAL RESULTS

Clairvest's consolidated financial statements are prepared using the fair value method of accounting. Under fair value accounting, each of Clairvest's investments are re-valued quarterly. Realized and unrealized changes in Clairvest's investments, as well as the tax effects of these changes, are reflected in the income statement. In the year of disposal of an investment, previously recognized unrealized gains (losses) are reversed, so as to recognize the full realized gain (loss) over original cost in the year of disposition. Under fair value accounting, Clairvest's financial statements do not reflect the earnings of its investment partners.

Privately-held investments are carried at cost, unless an adjustment is considered appropriate and supported by objective evidence, such as a significant third-party equity financing. The carrying value for Clairvest's publicly-traded investments is based on the quoted market price. This method of accounting requires judgement, and the actual realizations may vary from the values presented.

While the value of certain privately-held investments may have increased, Clairvest will not adjust upward the carrying value of these investments unless there is sufficient persuasive and objective evidence to support such an adjustment. Downward adjustments are made to the carrying value of private investments when there is evidence of an other than temporary decline in the value of the investment. The carrying value of the investment, therefore, may not be adjusted downward until there is sufficient persuasive and objective evidence to indicate that the decline in value is other than temporary. The fair value method may result in volatility in Clairvest's financial results, as the values at which the publicly-traded investments are carried are subject to fluctuations in the public markets.

OPERATING RESULTS

CONSOLIDATED STATEMENTS OF INCOME (\$'000's)

Year ended March 31,	2003	2002
Net investment gains (losses)		
Realized gains (losses) on investments (net)	\$ 43,942	\$ (3,970)
Previously recognized unrealized losses (gains) (net)	(44,384)	2,836
Unrealized gains on investments (net)	43,941	24,105
	43,499	22,971
Other income		
Interest income	4,053	1,263
Dividend income	1,303	1,496
Management fees	2,673	2,901
Advisory and other fees	2,331	2,756
	10,360	8,416
Administration and other expenses	7,282	3,900
Interest on loan payable	1,231	—
	8,513	3,900
Income before income taxes	45,346	27,487
Provision for income taxes	1,007	4,508
Net income	\$ 44,339	\$ 22,979

Clairvest's operating results reflect revenue realized from our corporate investments and from CEP, and unrealized appreciation and depreciation in the value of our corporate investments. These results are net of all costs incurred to manage these assets.

Net income for the year ended March 31, 2003 was \$44.3 million, versus \$23.0 million for the year ended March 31, 2002.

Clairvest realized gains on sale of investments of \$43.9 million in fiscal 2003 versus losses of \$4.0 million in fiscal 2002. The gain in 2003 resulted from the sale of Clairvest's investment in Sparkling Spring. The loss in fiscal 2002 was made up primarily of a \$9.1 million loss on the sale of HealthCentral.com, net of a \$4.9 million gain on the sale of Sparkling Spring shares.

Previously recognized unrealized gains in fiscal 2003 relate to unrealized gains on Sparkling Spring that were recognized in fiscal 2003 and prior years. Previously recognized unrealized losses in fiscal 2002 relate to unrealized losses on HealthCentral.com that were recognized in fiscal 2002 and prior years, net of unrealized gains on the Sparkling Spring shares that were sold, that were recognized in fiscal 2002 and prior years. When the respective investments were sold in fiscal 2003 and fiscal 2002, the previously recognized unrealized gains and losses were reversed, and the full realized gain or loss over original cost was recognized in the year of disposition.

Clairvest had unrealized gains on investments of \$43.9 million for the year ended March 31, 2003 versus \$24.1 million for the year ended March 31, 2002. Unrealized gains/losses result from changes in the carrying value of the investments from one year to the next. The unrealized gains/losses on investments are summarized as follows:

MANAGEMENT'S DISCUSSION AND ANALYSIS

UNREALIZED GAINS (LOSSES) ON INVESTMENTS (\$'000's)

Year ended March 31,	2003	2002
Investments in publicly-traded companies		
Datamark Systems Group Inc.	\$ (4,930)	\$ 7,699
Gateway Casinos Income Fund	(2,181)	—
Voxcom Incorporated	(57)	(772)
	(7,168)	6,927
Investments in privately-held companies		
Allied Global Holdings Inc.	324	239
Consolidated Vendors Corporation	(610)	1,025
Gateway Casinos Inc.	38,362	6,000
Landauer Metropolitan Inc.	154	—
NRI Industries Inc.	(320)	1,175
Signature Security Group Holdings Pty. Limited	(2,544)	1,166
Sparkling Spring Water Holdings Limited	16,237	7,317
Wellington Financial L.P.	(494)	553
	51,109	17,475
Other investments	—	(297)
	\$ 43,941	\$ 24,105

Further details on unrealized gains/losses on investments can be found in the discussion of Clairvest's corporate investments below.

Interest income in fiscal 2003 increased to \$4.1 million from \$1.3 million in fiscal 2002. Interest income for the year ended March 31, 2003 includes \$1.4 million in distributions from Gateway Income Fund, representing monthly distributions for the period from November 28, 2002 to March 31, 2003.

Dividend income of \$1.3 million for the year ended March 31, 2003 represented tax-free dividends earned from Datamark Systems Group Inc. ("Datamark") and Gateway Casinos. Dividend income for the year ended March 31, 2003 includes \$0.6 million received from Gateway Casinos, representing monthly dividends for the period from November 28, 2002 to March 31, 2003.

Management fees were earned as compensation for Clairvest's services in the administration of the portfolio of CEP. The management fee is reduced to the extent of 75% of any fees earned by Clairvest from corporate investments of CEP. Management fees decreased \$0.2 million to \$2.7 million in fiscal 2003 as a result of an increase in fees earned during the year by Clairvest from corporate investments of CEP.

Advisory and other fees decreased \$0.4 million to \$2.3 million in fiscal 2003. In fiscal 2002, Clairvest received a shareholder distribution from Gateway Casinos of \$1.4 million, but no such distribution was received in fiscal 2003. Included in advisory and other fees for the year ended March 31, 2003 are \$890,000 in structuring fees, extension fees and guarantee fees from Voxcom, which, together with interest accrued on the debentures, were rolled into preferred shares of Voxcom.

Administration and other expenses increased \$3.4 million to \$7.3 million in fiscal 2003. Included in administration and other expenses for the year ended March 31, 2003 was \$2.3 million accrued under Clairvest's Incentive Bonus Program and a \$0.9 million foreign exchange loss on a forward contract.

Interest on loan payable for fiscal 2003 represents interest on the loan payable to a subsidiary of Gateway Casinos for the period from November 28, 2002 to March 31, 2003.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL POSITION AND LIQUIDITY

CONSOLIDATED BALANCE SHEETS (\$000's)

As at March 31,	2003	2002
Assets		
Cash and cash equivalents	\$ 15,181	\$ 4,064
Short-term investments	78,933	40,309
Accounts receivable and other assets	2,190	1,731
Corporate investments	210,170	150,124
	\$ 306,474	\$ 196,228
Liabilities		
Accounts payable	\$ 3,355	\$ 829
Income taxes payable	7,376	273
Loans payable	66,382	—
Future tax liability	908	8,884
	78,021	9,986
Shareholders' equity		
Share capital	112,426	112,452
Retained earnings	116,027	73,790
	228,453	186,242
	\$ 306,474	\$ 196,228

With \$94.1 million in cash and cash equivalents and short-term investments, Clairvest has sufficient capital to support its current and anticipated investments. In addition, Clairvest has a \$20 million credit facility with a Canadian chartered bank. The facility is unsecured and bears interest at the bank prime rate plus 0.5%. Clairvest had not drawn down on its line at March 31, 2003.

Accounts payable increased \$2.5 million to \$3.4 million at March 31, 2003. Included in accounts payable at March 31, 2003 was \$2.3 million accrued under Clairvest's Incentive Bonus Program.

Income taxes payable increased \$7.1 million to \$7.4 million at March 31, 2003. Income taxes payable at March 31, 2003 is comprised primarily of income taxes payable as a result of the sale of Sparkling Spring. Future tax liability decreased \$8.0 million to \$0.9 million at March 31, 2003. The decrease is primarily due to the sale of Sparkling Spring. Tax on the cumulative unrealized gains on Sparkling Spring that had been recognized to March 31, 2002 had been accrued as a future tax liability at March 31, 2002. Upon the sale of Sparkling Spring, this future tax liability became a current tax liability.

Clairvest had loans payable totalling \$66.4 million at March 31, 2003. Further details on loans payable can be found in the discussion of Gateway Casinos.

Share capital decreased \$26,000 during the year ended March 31, 2003. The decrease resulted from the purchase of 5,000 common shares under Clairvest's Normal Course Issuer Bid, which was filed during the year. Clairvest had purchased a total of 632,152 common shares under the Normal Course Issuer Bid as at June 30, 2003, at a total cost of \$4.7 million.

As is typical of a merchant bank, Clairvest's main asset is its corporate investments. A discussion on each investment follows.

DATAMARK SYSTEMS GROUP INC.

At March 31, 2003 Clairvest owned 4,675,670 common shares in Datamark, and held 20,000 options to acquire Datamark shares at \$2.02 per share. The shares in Datamark were carried at the quoted market price at March 31, 2003 and the options were valued at the difference between the exercise price and the quoted market price.

The carrying value of Clairvest's investment in Datamark decreased \$4.9 million to \$11.7 million at March 31, 2003. The unrealized loss of \$4.9 million resulted from the decrease in share price from \$3.55 per share at March 31, 2002 to \$2.50 per share at March 31, 2003. Clairvest recorded an unrealized gain of \$7.7 million for the year ended March 31, 2002, as a result of movements in the quoted market price from \$1.91 per share to \$3.55 per share.

The carrying value of \$11.7 million at March 31, 2003 compares to a cost of \$14.4 million. It is important to note that at March 31, 2003, Clairvest had received back \$12.7 million, by way of tax-free dividends, of the \$14.4 million it had invested in Datamark, reducing the net cash investment to \$1.7 million. Subsequent to year-end, Clairvest received further dividends of \$0.2 million, increasing total tax-free dividends received to \$12.9 million, and reducing the net cash investment to \$1.5 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS

GATEWAY CASINOS INCOME FUND

During the year, Clairvest acquired 4,501,970 units in Gateway Income Fund, using the proceeds from the \$45.0 million loan from a subsidiary of Gateway Casinos. At March 31, 2003, the units were carried at the quoted market price less a discount due to Clairvest's hold period and estimated cost of disposition.

The unrealized loss of \$2.2 million is the result of the discount taken, net of movements in the quoted market price from \$10.00 per unit on issuance to \$10.50 per unit as at March 31, 2003.

The carrying value of \$42.8 million at March 31, 2003 compares to a cost of \$45.0 million. The net cash investment at March 31, 2003 was (\$0.2 million) as a result of the \$45.0 million loan and \$1.4 million of distributions received, net of \$1.2 million of interest paid on the loan.

Please also refer to the discussion on Gateway Casinos Inc.

VOXCOM INCORPORATED

At March 31, 2003, Clairvest owned 230,000 common shares and 11,485,900 convertible retractable preferred shares in Voxcom. Clairvest also held 257,889 warrants to acquire Voxcom shares at \$3.95 per share, 59,053 warrants to acquire Voxcom shares at \$1.95 per share and 1,041,071 warrants to acquire Voxcom shares at \$1.80 per share. The common shares in Voxcom were carried at the quoted market price at March 31, 2003, the preferred shares were carried at cost and the warrants were carried at nil.

The carrying value of Clairvest's investment in Voxcom increased \$4.3 million to \$11.6 million at March 31, 2003. The increase is made up primarily of an investment of \$2.9 million in preferred shares, as well as the rolling of \$1.5 million of fees and interest that had not previously been accrued into preferred shares, net of an unrealized loss of \$57,000. The unrealized loss of \$57,000 is the result of the decrease in the common share price from \$0.70 at March 31, 2002 to \$0.45 at March 31, 2003. Clairvest recorded an unrealized loss of \$772,000 for the year ended March 31, 2002, as a result of movements in the quoted market price of the common shares from \$3.50 per share to \$0.70 per share.

The carrying value of \$11.6 million at March 31, 2003 compares to a cost of \$12.8 million. The net cash investment at March 31, 2003 was \$9.2 million as a result of the rolling of a total of \$3.6 million of fees and interest into preferred shares.

ALLIED GLOBAL HOLDINGS INC.

At March 31, 2003, Clairvest owned 33,000 10% convertible Class B preferred shares in Allied Global Holdings Inc. ("Allied"). At March 31, 2003, the preferred shares were carried at cost plus accrued dividends.

The carrying value of Clairvest's investment in Allied increased \$324,000 to \$3.6 million at March 31, 2003. The unrealized gain of \$324,000 resulted from dividends accruing on the preferred shares. \$300,000 of accrued dividends were received during the year by way of a stock dividend of 3,000 preferred shares. Clairvest recorded an unrealized gain of \$239,000 for the year ended March 31, 2002, as a result of dividends accruing on the preferred shares.

The carrying value of \$3.6 million at March 31, 2003 compares to a cost of \$3.0 million.

CONSOLIDATED VENDORS CORPORATION

At March 31, 2003, Clairvest owned 2,500 Class A preferred shares, 10,229 common shares, US\$3.3 million of senior debt, a \$0.5 million short-term loan and 45,000 warrants in Consolidated Vendors. At March 31, 2003, the common shares and preferred shares were carried at cost, the bank debt at cost plus accrued interest, and the short-term loan at accrued value, all converted into Canadian dollars. The warrants were carried at nil.

The carrying value of Clairvest's investment in Consolidated Vendors increased \$2.5 million to \$6.1 million at March 31, 2003. The increase consists of Clairvest's purchase of its share of the senior bank debt of Consolidated Vendors for \$2.7 million and the \$473,000 short-term loan provided to Consolidated Vendors, net of an unrealized loss of \$610,000. The unrealized loss of \$610,000 resulted from the elimination of cumulative dividends on convertible Class A preferred shares and convertible Class B preferred shares that were accrued in fiscal 2003 and prior years. During fiscal 2003, the convertible Class A preferred shares and convertible Class B preferred shares were converted into common shares and Class A preferred shares that do not bear cumulative dividends. All previously accrued dividends were therefore reversed in fiscal 2003. Clairvest recorded an unrealized gain of \$1.0 million for the year ended March 31, 2002, as a result of the sale of shares to CEP during fiscal 2002 for a \$1.0 million gain. Since the sale was between related parties, the gain was not recognized as realized gains, but rather as unrealized gains. Clairvest has guaranteed any loss CEP may incur on the investment acquired from Clairvest, net of any gains on any other of CEP's holdings in Consolidated Vendors.

The carrying value of \$6.1 million at March 31, 2003 compares to a cost of \$6.0 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS

GATEWAY CASINOS INC.

At March 31, 2003, Clairvest owned 28.4% of a limited partnership that owned Gateway Casinos. At March 31, 2003, the investment in Gateway Casinos was carried at cost plus a \$44.4 million cumulative upward adjustment.

The carrying value of Clairvest's investment in Gateway Casinos increased \$38.4 million to \$68.4 million at March 31, 2003. The \$38.4 million upward adjustment was determined by management to be appropriate in light of the value that was created on the transfer of six casinos from Gateway Casinos to Gateway Income Trust. Clairvest recorded an upward adjustment of \$6.0 million for the year ended March 31, 2002, which management determined was appropriate at that time in light of Gateway Casinos' improved operations, an improving regulatory environment and transactions in the industry.

As part of the IPO of Gateway Income Fund, Clairvest received two loans totalling \$66.4 million from Gateway Casinos and from a subsidiary of Gateway Casinos. The first loan is a \$21.4 million 30-year loan from Gateway Casinos. The loan is non-interest bearing, repayable on demand and secured by the units held by Clairvest in the limited partnership that owns Gateway Casinos. The second loan is a \$45.0 million 30-year loan from a subsidiary of Gateway Casinos. The loan bears interest at 8.05% per annum and is secured by the units held by Clairvest in Gateway Income Fund.

The carrying value of \$68.4 million at March 31, 2003 compares to a cost of \$24.0 million. The net cash investment at March 31, 2003 was (\$2.3 million) as a result of the \$21.4 million loan, \$4.3 million of taxable distributions and \$0.6 million of dividends received.

Please also refer to the discussion on Gateway Casinos Income Fund.

LANDAUER METROPOLITAN INC.

During the year, Clairvest acquired 1,906,250 10% cumulative convertible preferred shares in Landauer. At March 31, 2003, the preferred shares were carried at cost plus accrued dividends, converted into Canadian dollars.

The carrying value of \$3.1 million at March 31, 2003 compares to a cost of \$3.0 million. The unrealized gain of \$154,000 is the result of cumulative dividends on the preferred shares.

NRI INDUSTRIES INC.

At March 31, 2003, Clairvest owned 6.0 million Class A preferred shares, 2.0 million Class D preferred shares, 4.5 million Class E preferred shares and 86,000 common shares of NRI Industries Inc. ("NRI"). At March 31, 2003, the common shares were carried at cost and the Class A, Class D and Class E preferred shares were carried at their redemption values plus accrued dividends to March 31, 2002. No dividends were accrued on the Class A, Class D and Class E preferred shares during fiscal 2003.

The carrying value of Clairvest's investment in NRI decreased \$320,000 to \$24.9 million at March 31, 2003. The unrealized loss of \$320,000 resulted from the effects of foreign exchange movements on the Class D preferred shares, which are redeemable in US dollars. Clairvest recorded an unrealized gain of \$1.2 million for the year ended March 31, 2002 as a result of cumulative dividends on the preferred shares and the effect of foreign exchange movements on the Class D preferred shares.

The carrying value of \$24.9 million at March 31, 2003 compares to a cost of \$17.6 million.

SIGNATURE SECURITY GROUP HOLDINGS PTY. LIMITED

At March 31, 2003, Clairvest owned 214,866,491 ordinary shares in Signature through its wholly-owned subsidiary, Clairvest Group International (Netherlands) B.V. Clairvest also held loans totalling \$8.2 million to Signature and to Equity SPV Pty. Limited ("SPV"). SPV is a special purpose corporate entity formed to facilitate the loaning of these funds to Signature. At March 31, 2003, the ordinary shares and loans were carried at cost, converted into Canadian dollars.

The carrying value of Clairvest's investment in Signature decreased \$317,000 to \$28.4 million at March 31, 2003. The decrease is comprised of a \$2.5 million downward adjustment to the carrying value of the investment, net of an increase in the carrying value as a result of the \$2.2 million cost on the rolling of foreign exchange forward contract hedges on the investment. The \$2.5 million downward adjustment brings the carrying value of the investment back to cost, which management has determined is the appropriate fair value of the investment. Clairvest recorded an unrealized gain of \$1.2 million for the year ended March 31, 2002 as a result of movements in foreign exchange.

The carrying value of \$28.4 million at March 31, 2003 compares to a cost of \$28.4 million.

VAN-ROB STAMPINGS INC.

During the year, Clairvest acquired 5,000,000 Class A special convertible shares in Van-Rob. At March 31, 2003 the special shares were carried at cost.

The carrying value of \$5.0 million at March 31, 2003 compares to a cost of \$5.0 million.

WELLINGTON FINANCIAL L.P. (FORMERLY CLAIRVEST-YORKTON TRANSITION CAPITAL FUND L.P.)

At March 31, 2003, Clairvest had funded \$2.6 million of its \$5.0 million capital commitment to the Bridge Fund. At March 31, 2003, the investment in the Bridge Fund was carried at the underlying value of the loans and warrants held by the Bridge Fund. The loans were carried at accrued value and the warrants were carried at the difference between the exercise price and the quoted market price.

The carrying value of Clairvest's investment in the Bridge Fund increased \$2.2 million to \$4.2 million at March 31, 2003. The increase is made up primarily of the funding of \$2.6 million of capital, net of an unrealized loss of \$494,000. The unrealized loss of \$494,000 is as a result of movements in the price of the shares underlying the warrants held by the Bridge Fund. Clairvest recorded an unrealized gain of \$553,000 for the year ended March 31, 2002 as a result of movements in the price of the underlying shares of the warrants held by the Bridge Fund.

The carrying value of \$4.2 million at March 31, 2003 compares to a cost of \$2.6 million. As a result of \$0.8 million in distributions received to March 31, 2003, the net cash investment was \$1.8 million.

RISK MANAGEMENT

The merchant banking business is about accepting risk for return, and is therefore affected by a number of economic factors, including changing economic environments, capital markets and interest rates.

Clairvest manages the risk associated with its corporate investment portfolio through thoughtful planning, strict investment criteria, significant due diligence of investment opportunities and active involvement with existing investments.

Clairvest has implemented a hedging strategy because it has, directly and indirectly, several investments outside of Canada, currently in Australia and in the United States. In order to limit our exposure to changes in the value of the United States and Australian dollars relative to the Canadian dollar, Clairvest has hedged 100% of the cost of its foreign investments.

Clairvest has some exposure to the financial markets, as approximately 30% of the carrying value of Clairvest's investments at March 31, 2003, was in publicly-traded companies. Clairvest is a value investor and focuses on the intrinsic value related to the specific company's outlook and therefore attempts to act independently of the overall valuation by the market. The entry multiples for its public holdings have generally been less than other public companies in the same industries and therefore these holdings have a value cushion in the event of any general market value fluctuations such as have been seen this year.

Fluctuations in interest rates affect Clairvest's income derived from cash, cash equivalents, and short-term investments. It is the Company's policy to invest these amounts in securities that are highly rated by recognized rating agencies.

OUTLOOK

During the first quarter of fiscal 2004, we have continued to assist our investee companies in solidifying their strategies and enhancing their value propositions.

The economic slowdown has presented Clairvest with a good opportunity to seek out new investments. We continue to actively pursue investment opportunities, using our domain-based proprietary research to explore a number of industries and uncover new potential investments.

At March 31, 2003, Clairvest had \$94.1 million in cash and \$105.8 million of additional capital through CEP to fund new investments. With this capital on hand, we are well positioned to pursue investment opportunities. As always, we will stick to our disciplines to find solid investments that fit our investment criteria and deliver superior, risk-adjusted returns.

MANAGEMENT'S REPORT

All information in this Annual Report is the responsibility of management. The financial information contained elsewhere in this report has been reviewed to ensure consistency with the consolidated financial statements.

Management maintains systems of internal accounting control designed to provide reasonable assurance that assets are safeguarded, that transactions are properly authorized and that financial records are properly maintained to facilitate the preparation of financial statements in a timely manner.

Independent chartered accountants, appointed as auditors by the shareholders, have audited the consolidated financial statements and their report is included herewith.

The Audit Committee of the Board of Directors, comprised of three non-management Directors, has reviewed the consolidated statements with management and the independent auditors. The consolidated financial statements have been approved by the Board of Directors on the recommendation of the Audit Committee.



B. JEFFREY PARR

Co-Chief Executive Officer and Managing Director



LANA REIKEN, C.A.

Vice-President Finance and Corporate Secretary

AUDITORS' REPORT

To the Shareholders of Clairvest Group Inc.

We have audited the consolidated balance sheets of Clairvest Group Inc. as at March 31, 2003 and 2002 and the consolidated statements of income, retained earnings and cash flow for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2003 and 2002 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.



Ernst & Young LLP
Chartered Accountants

Toronto, Canada
May 31, 2003

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS

As at March 31

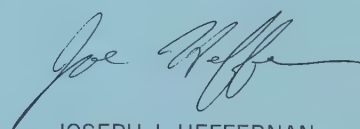
\$000's	2003	2002
ASSETS		
Cash and cash equivalents (Note 3)	\$ 15,181	\$ 4,064
Short-term investments (Note 4)	78,933	40,309
Accounts receivable and other assets (Note 5a)	2,190	1,731
Corporate investments (Note 6)	210,170	150,124
	\$ 306,474	\$ 196,228
LIABILITIES		
Accounts payable	\$ 3,355	\$ 829
Income taxes payable	7,376	273
Loans payable (Note 7)	66,382	—
Future tax liability (Note 9)	908	8,884
	78,021	9,986
Contingencies and commitments (Notes 5, 12 and 13)		
SHAREHOLDERS' EQUITY		
Share capital (Note 10)	112,426	112,452
Retained earnings	116,027	73,790
	228,453	186,242
	\$ 306,474	\$ 196,228

(see accompanying notes to consolidated financial statements)

On behalf of the Board:



PHILIP S. ORSINO
Director



JOSEPH J. HEFFERNAN
Director

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF INCOME

For the years ended March 31

\$000's (except per share information)	2003	2002
NET INVESTMENT GAINS (LOSSES)		
Realized gains (losses) on investments (net)	\$ 43,942	\$ (3,970)
Previously recognized unrealized losses (gains) (net) (Note 2e)	(44,384)	2,836
Unrealized gains on investments (net)	43,941	24,105
	43,499	22,971
OTHER INCOME		
Interest income (Notes 5b and 5f)	4,053	1,263
Dividend income (Note 5f)	1,303	1,496
Management fees (Note 5c)	2,673	2,901
Advisory and other fees (Note 5f)	2,331	2,756
	10,360	8,416
Administration and other expenses	7,282	3,900
Interest on loan payable (Note 7b)	1,231	—
	8,513	3,900
Income before income taxes	45,346	27,487
Provision for income taxes (Note 9)	1,007	4,508
Net income	\$ 44,339	\$ 22,979
Net income per share	\$ 2.12	\$ 1.15
Fully diluted net income per share	\$ 1.99	\$ 1.11

(see accompanying notes to consolidated financial statements)

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

For the years ended March 31

\$000's	2003	2002
Retained earnings, beginning of year	\$ 73,790	\$ 52,681
Net income	44,339	22,979
	118,129	75,660
Dividends paid	(2,093)	(1,870)
Purchase and cancellation of shares (Note 10)	(9)	—
Retained earnings, end of year	\$ 116,027	\$ 73,790

(see accompanying notes to consolidated financial statements)

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF CASH FLOW

For the years ended March 31

\$000's	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 44,339	\$ 22,979
Add (deduct) items not involving a current cash outlay		
Amortization	87	69
Future income taxes (recovered)	(7,976)	3,691
Realized losses (gains) on investments (net)	(43,942)	3,970
Previously recognized unrealized gains (losses) (net)	44,384	(2,836)
Unrealized gains on investments (net)	(43,941)	(24,105)
Non-cash income relating to corporate investments	(120)	—
	(7,169)	3,768
Net change in non-cash working capital balances related to operations	9,083	(781)
	1,914	2,987
CASH FLOWS FROM FINANCING ACTIVITIES		
Loans payable	66,382	—
Dividends paid	(2,093)	(1,870)
Cancellation of common shares (Note 10)	(35)	—
Issuance of non-voting shares (Note 10)	—	16,800
	64,254	14,930
CASH FLOWS FROM INVESTING ACTIVITIES		
Short-term investments, net	(38,624)	(23,693)
Acquisition of corporate investments	(69,345)	(14,072)
Proceeds on sale of corporate investments	48,659	12,564
Proceeds (costs) on realization of foreign exchange forward contracts	(2,009)	1,053
Return of capital from corporate investments	6,268	2,466
	(55,051)	(21,682)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	11,117	(3,765)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	4,064	7,829
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 15,181	\$ 4,064
SUPPLEMENTAL CASH FLOW INFORMATION		
Income taxes paid	\$ 2,126	\$ 1,757
Interest paid	\$ 923	\$ —

(see accompanying notes to consolidated financial statements)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2003 and 2002 (tabular dollar amounts in thousands)

1. NATURE OF ACTIVITIES

Clairvest Group Inc. ("Clairvest" or the "Company") is a publicly-traded Canadian merchant bank. The Company, which operates in only one business segment, actively seeks to form mutually beneficial investments with entrepreneurial corporations. Clairvest contributes financing and strategic expertise to support the growth and development of its corporate investments in order to create realizable value for all shareholders. Clairvest is incorporated under the laws of the Province of Ontario.

2. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies of the Company:

(a) PRINCIPLES OF CONSOLIDATION

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries that exist for investing and financing purposes. All significant intercompany amounts and transactions have been eliminated upon consolidation.

(b) CORPORATE INVESTMENTS

(i) Publicly-traded investments

Securities that are traded on a recognized securities exchange and for which no sales restrictions apply are recorded at carrying values based on quoted market prices at the balance sheet dates or the closing price on the last day the security traded if there were no trades at the balance sheet dates.

Securities that are traded on a recognized exchange but that are escrowed or otherwise restricted as to sale or transfer are recorded at amounts discounted from market value. In determining the discount for such investments, the Company considers the nature and length of the restriction, business risk of the investee company, its stage of development, market potential, relative trading volume and price volatility and any other factors that may be relevant to the ongoing and realizable value of the investments.

(ii) Privately-held investments

Securities in privately-held companies are recorded at cost unless an upward adjustment is considered appropriate and supported by persuasive and objective evidence such as a significant subsequent equity financing by an unrelated, professional investor at a transaction price higher than the Company's carrying value. Downward adjustments to carrying value are made when there is evidence of an other than temporary decline in value as indicated by the assessment of the financial condition of the investment based on operational results, forecasts, financing and other developments since acquisition.

(iii) Other forms of investment instruments

Included in Clairvest's corporate investments are certain instruments which are accounted for as follows:

- Loans are valued at the lesser of their discounted cash flow or the fair value of the underlying collateral.
- Convertible debentures and convertible notes are valued at the greater of their loan value amount as described above or as though converted to common shares.
- Options and warrants for public companies are valued at the difference between the exercise price and the quoted market price.
- Options and warrants for private companies are valued at the difference between the exercise price and the carrying value of the underlying shares.
- Cumulative dividends not yet received are included in the carrying value of the investment.

At each financial reporting period, the Company's management determines the valuation of investments based on the criteria above and reflects such valuations as corporate investments in the consolidated financial statements. The resulting values may differ from values that would be realized had a ready market existed. The amounts at which Clairvest's privately-held investments could be disposed of currently may differ from the carrying value assigned. The amounts at which Clairvest's publicly-traded investments could be disposed of currently may differ from the carrying value based on market quotes as the value at which significant ownership positions are sold is often different than the quoted market price due to a variety of factors such as premiums paid for large blocks or discounts due to illiquidity.

(c) SHORT-TERM INVESTMENTS

Short-term investments are carried at the lower of cost and estimated market value.

(d) FOREIGN CURRENCY TRANSLATION

The carrying value of foreign investments has been translated into Canadian dollars at the balance sheet date rates of exchange together with the effect of any foreign exchange forward contract hedge thereon. The cost of foreign investments is the cost thereof translated into Canadian dollars at the rate of exchange prevailing at the time of purchase.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(e) INCOME RECOGNITION

Realized gains or losses on disposition of investments and unrealized gains or losses in the value of investments are reflected in the consolidated statements of income. Upon disposal of an investment, previously recognized unrealized gains or losses are reversed. Management fees and advisory and other fees are recorded as revenue on an accrual basis when the services are performed. Dividend income is recorded on the ex-dividend date.

(f) INCOME TAXES

The Company records income tax expense using the liability method of tax allocation. Under the liability method, income taxes reflect the expected future tax consequences of temporary differences between the carrying amounts of assets or liabilities and their tax bases. Future income tax assets and liabilities are determined for each temporary difference based on the tax rates that are expected to be in effect when the asset or liability is settled.

(g) STOCK-BASED COMPENSATION PLAN

In fiscal 2003, the Company adopted the new recommendations of The Canadian Institute of Chartered Accountants' Section 3870, Stock-Based Compensation and Other Stock-Based Payments, and in accordance with the recommendations has applied them only to awards granted on or after the date of adoption. In respect of stock options granted to employees and directors, the Company has elected not to follow the fair value based method of accounting for stock options. As a result, the Company is required to disclose the pro-forma effect of accounting for stock options granted to employees and directors using the fair value based method.

(h) EARNINGS PER SHARE

Basic earnings per share is determined by dividing net income attributable to common shareholders by the weighted average number of common shares outstanding during the year. Diluted earnings per share is in accordance with the treasury stock method and is based on the weighted average number of common shares and dilutive common share equivalents outstanding during the year.

(i) USE OF ESTIMATES

The preparation of the consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

3. CASH EQUIVALENTS

Cash equivalents consist of only highly liquid investments with maturities of less than 90 days from the date of acquisition. Cash equivalents consist of money market funds and bankers' acceptances. Cash equivalents have realizable values which approximate the carrying values due to their short-term nature.

4. SHORT-TERM INVESTMENTS

Short-term investments have maturities to November 2004 and consist of corporate notes and debentures. The yield on these investments ranges between 2.9% and 9.7% (2002 - between 2.1% and 11.6%) with a weighted average yield thereon of 6.0% (2002 - 4.0%). Short-term investments have realizable values which approximate the carrying values due to their short-term nature.

5. RELATED PARTY TRANSACTIONS

- (a) Share purchase loans made to certain officers of the Company or officers of corporate investments totalling \$558,000 (2002 - \$464,000) are included in accounts receivable and other assets. The loans bear interest fixed at either 4% or the prime rate on the date of drawdown less 1%, interest is paid annually, and the loans have full recourse and are collateralized by the common shares of the Company purchased by the officers with a market value of \$631,000 (2002 - \$510,000). Loans are repayable upon departure of the officer. Also included in accounts receivable and other assets are receivables from Clairvest's corporate investments totalling \$1.1 million (2002 - \$743,000), and from Clairvest Equity Partners Limited Partnership ("CEP") totalling \$23,000 (2002 - \$12,000).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

- (b) Loans, including non-interest bearing loans and loans bearing interest at the prime rate, were made by the Company to CEP during fiscal 2003 and were repaid during the year. Interest of \$178,000 (2002 – \$23,000) was received from CEP during fiscal 2003.
- (c) Clairvest has entered into a Management Agreement with the General Partner of CEP, appointing Clairvest as the Manager of CEP. The General Partner is a wholly-owned subsidiary of Clairvest. The Management Agreement provides that a management fee be paid to Clairvest as compensation for its services in the administration of the portfolio of CEP. The fee is calculated annually as 2% of committed capital until the fifth anniversary of the last closing of CEP, and thereafter at 2% of contributed capital of CEP less distributions on account of capital and any write-downs of capital invested. The management fee is reduced to the extent of 75% of any fees earned by Clairvest from corporate investments of CEP. During fiscal 2003, CEP paid Clairvest net management fees of \$2.7 million (2002 – \$2.9 million) as compensation for its services in the administration of the portfolio of CEP.
- (d) The General Partner of CEP is entitled to participate in distributions made by CEP after the Limited Partners have received distributions from CEP equal to the sum of (a) their contributed capital, and (b) a return equal to 6% per annum compounded annually. To date, CEP has not made any distributions
- (e) During fiscal 2003 Clairvest entered into an agreement to guarantee \$3.0 million of CEP's obligations to the Toronto-Dominion Bank under CEP's foreign exchange forward contracts with the bank.
- (f) During fiscal 2003 Clairvest received \$2.9 million (2002 - \$27,000) in interest, \$1.3 million (2002 – \$1.5 million) in dividends and \$2.3 million (2002 – \$2.8 million) in advisory and other fees from its corporate investments.

6. CORPORATE INVESTMENTS

	2003			2002		
	Carrying value	Cost	Difference	Carrying value	Cost	Difference
Investments in publicly-traded companies						
Datamark Systems Group Inc.	\$ 11,699	\$ 14,421	\$ (2,722)	\$ 16,629	\$ 14,421	\$ 2,208
Gateway Casinos Income Fund	42,839	45,020	(2,181)	—	—	—
Voxcom Incorporated	11,589	12,775	(1,186)	7,304	6,664	640
	66,127	72,216	(6,089)	23,933	21,085	2,848
Investments in privately-held companies						
Allied Global Holdings Inc.	3,563	3,000	563	3,239	3,000	239
Consolidated Vendors Corporation	6,089	6,030	59	3,615	2,896	719
Gateway Casinos Inc.	68,362	24,000	44,362	30,000	24,000	6,000
Landauer Metropolitan Inc.	3,083	2,976	107	—	—	—
NRI Industries Inc.	24,907	17,613	7,294	25,227	17,613	7,614
Signature Security Group Holdings Pty. Limited	28,421	28,421	—	28,738	28,421	317
Sparkling Spring Water Holdings Limited	—	—	—	32,864	4,717	28,147
Van-Rob Stampings Inc.	5,000	5,000	—	—	—	—
Wellington Financial L.P. (formerly Clairvest-Yorkton Transition Capital Fund L.P.)	4,207	2,558	1,649	1,993	—	1,993
	143,632	89,598	54,034	125,676	80,647	45,029
Other investments	411	411	—	515	515	—
	\$ 210,170	\$ 162,225	\$ 47,945	\$ 150,124	\$ 102,247	\$ 47,877

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(a) DATAMARK SYSTEMS GROUP INC. ("DATAMARK")

Datamark is a business document management company with operations in Canada and the United States. At March 31, 2003 Clairvest owned 4,675,670 (2002 – 4,675,670) common shares of Datamark, representing a 36.5% (2002 - 36.5%) interest on a fully diluted basis.

At March 31, 2003 and 2002, Clairvest also held 20,000 options to acquire Datamark shares at \$2.02 per share. These options vest over five years from the grant date, being October 1999.

The shares in Datamark are carried at the quoted market price at March 31, 2003 and 2002. Since the inception of the investment, Clairvest has received a total of \$12.7 million in cash dividends, which have been accounted for as income.

(b) GATEWAY CASINOS INCOME FUND ("GATEWAY INCOME FUND")

Gateway Income Fund is a newly formed trust which was established to acquire six of the 10 casinos managed by Gateway Casinos Inc. At March 31, 2003, Clairvest owned 4,501,970 units in Gateway Income Fund, which were acquired during fiscal 2003 for \$45.0 million. These units have a hold period to November 2003 and Clairvest has demand registration rights which may, subject to regulatory approval, allow it to shorten this hold period. Clairvest's ownership on a fully diluted basis was 17.0% at March 31, 2003.

The units in Gateway Income Fund are carried at market prices less a discount due to Clairvest's hold period and the estimated cost of disposition.

(c) VOXCOM INCORPORATED ("VOXCOM")

Voxcom is an Edmonton based electronic security alarm monitoring company operating throughout Canada. At March 31, 2003, Clairvest owned 11,485,900 convertible retractable preferred shares and 230,000 common shares of Voxcom, representing a 27.0% interest on a fully diluted basis. At March 31, 2002 Clairvest owned 230,000 common shares, \$5.0 million of debentures that were due July 18, 2002 and \$1.0 million of guarantee debentures that were due July 14, 2002. \$3.0 million of debentures bore interest at 8% per annum until July 18, 2001 and bore interest at 14% thereafter, and the remaining \$2.0 million of debentures bore interest at 8% per annum until December 20, 2000, were non-interest bearing from December 20, 2000 to July 18, 2001 and bore interest at 14% thereafter. At March 31, 2002, Clairvest held a 45.2% fully diluted interest, assuming the conversion of the debentures.

During fiscal 2003, Clairvest converted its debentures and interest accrued thereon, as well as its guarantee debentures, guarantee fees and interest thereon into 8,617,999 convertible retractable preferred shares. Clairvest invested an additional \$2.9 million to acquire a further 2,867,901 convertible retractable preferred shares.

At March 31, 2003, Clairvest also held 257,889 warrants to acquire Voxcom shares at \$3.95 per share, 59,053 warrants to acquire Voxcom shares at \$1.95 per share and 1,041,071 warrants to acquire Voxcom shares at \$1.80 per share. These warrants vested March 1, 2001, February 28, 2001 and November 30, 2001 respectively. At March 31, 2002, Clairvest held 10,000 options to acquire Voxcom shares at \$3.25 per share. These options vested January 1997. At March 31, 2002, Clairvest also participated in an additional 10,000 options to the extent that \$3.25 was exceeded by the lesser of (i) the market value of the shares at the time the existing options are exercised and (ii) \$7.45 per share.

During fiscal 2002, Clairvest entered into an agreement to guarantee up to \$7.5 million of Voxcom's obligations to its lending syndicate. Clairvest received a fee equal to 25% of each amount guaranteed, such fee being secured by a guarantee debenture, with interest payable at 25% per annum in additional guarantee debentures. As at March 31, 2002 Clairvest had guaranteed \$3.45 million of Voxcom's obligations. During fiscal 2003, Clairvest's guarantee was released.

Clairvest carries its investment in Voxcom common shares at the quoted market prices at March 31, 2003 and 2002. The convertible retractable preferred shares are carried at cost at March 31, 2003. The debentures and guarantee debentures were carried at accrued value at March 31, 2002.

(d) ALLIED GLOBAL HOLDINGS INC. ("ALLIED GLOBAL")

Allied Global is an international accounts receivable management firm with operations across Canada, the United States and the United Kingdom. At March 31, 2003 Clairvest owned 33,000 (2002 - 30,000), 10% convertible Class B preferred shares in Allied Global, which were acquired during fiscal 2002 for \$3.0 million. Clairvest's ownership on a fully diluted basis was 8.3% (2002 – 8.4%) at March 31, 2003.

During fiscal 2003, Clairvest received 3,000 Class B preferred shares in Allied Global by way of a stock dividend.

The shares in Allied Global are carried at cost at March 31, 2003 and 2002. Accrued dividends are included in the carrying value of these shares.

(e) CONSOLIDATED VENDORS CORPORATION ("CONSOLIDATED VENDORS")

Consolidated Vendors is an independent vending operator in the US Midwest. At March 31, 2003, Clairvest owned 2,500 Class A preferred shares, 10,229 common shares and 45,000 warrants in Consolidated Vendors, representing a 17.7% interest on a fully diluted basis. At March 31, 2003 Clairvest also held US\$3.3 million of senior debt and a \$0.5 million short-term note. At March 31, 2002 Clairvest owned 8,750 10% convertible Class A preferred shares, 9,250 10% convertible Class B preferred shares and 703 common shares in Consolidated Vendors, representing a 17.2% interest on a fully diluted basis.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

During fiscal 2003, Clairvest converted 6,250 convertible Class A preferred shares and all of the convertible Class B preferred shares into 9,526 common shares. The remaining 2,500 convertible Class A preferred shares were exchanged for 2,500 Class A preferred shares.

During fiscal 2003, Clairvest, CEP and Consolidated Vendors' management purchased at a discount, all of the senior bank debt of Consolidated Vendors for \$11.0 million (US\$7.0 million). Clairvest's share of the purchase price was \$2.7 million (US\$1.7 million), representing US\$3.3 million of the face value of the bank debt. All of the senior bank debt bears interest at 3.21%. Clairvest's share of the senior bank debt is comprised of the following:

- (i) US\$180,394 payable May, 2002
- (ii) US\$48,819 payable September, 2002
- (iii) US\$36,944 payable January, 2003
- (iv) US\$3,043,563 payable June, 2003

None of the above amounts have been called.

Also during fiscal 2003, Clairvest provided a short-term loan to Consolidated Vendors for \$473,000. The loan bears interest at 6% and is payable on demand.

During fiscal 2002, Clairvest purchased 11,099 Class B preferred shares for \$1.7 million. Also during fiscal 2002 Clairvest sold 2,110 common shares, 26,250 Class A preferred shares and 1,849 Class B preferred shares in Consolidated Vendors for \$5.7 million. This transaction was between related parties and was accounted for at the carrying amounts. The common shares and Class B preferred shares were sold for Clairvest's original cost, and the Class A preferred shares for Clairvest's accrued value of the shares. The \$1.0 million of accrued dividends on the Class A preferred shares sold to CEP that was previously recorded through unrealized gains on investments remained in unrealized gains on investments.

The shares in Consolidated Vendors are carried at cost and converted into Canadian dollars, after giving effect to the related foreign exchange forward contract hedge thereon (see note 12b). Cumulative dividends were included in the carrying value of the shares at March 31, 2002. The bank debt is carried at cost plus accrued interest and the short-term loan at accrued value, converted into Canadian dollars, after giving effect to the related foreign exchange forward contract hedge thereon (see note 12b).

(f) GATEWAY CASINOS INC. ("GATEWAY CASINOS")

Gateway Casinos is a gaming management company operating casinos in Western Canada. At March 31, 2003, Clairvest owned 28.4% of a limited partnership that owned Gateway Casinos, representing a 28.4% indirect ownership in Gateway Casinos on a fully diluted basis. At March 31, 2002 Clairvest owned 6.0 million common shares in Gateway Casinos, representing a 28.4% interest on a fully diluted basis.

During fiscal 2003, Gateway Casinos transferred six of the 10 casinos managed by it to Gateway Income Fund. Based upon the values of this transaction, the carrying value of Gateway Casinos has increased by \$38.4 million.

At March 31, 2003, the shares in Gateway Casinos were carried at cost plus a \$44.4 million cumulative upward adjustment to the carrying value of the investment. At March 31, 2002, the shares in Gateway Casinos were carried at cost plus a \$6.0 million upward adjustment to the carrying value of the investment.

(g) LANDAUER METROPOLITAN INC. ("LANDAUER")

Landauer is a supplier of home medical equipment in the New York City area. At March 31, 2003, Clairvest owned 1,906,250 10% cumulative convertible preferred shares in Landauer, which were acquired during fiscal 2003 for \$3.0 million. Clairvest's ownership on a fully diluted basis was 10.7% at March 31, 2003.

Also during fiscal 2003, as part of the acquisition, Clairvest provided a bridge loan to Landauer for \$6.2 million. The loan, together with interest thereon, was repaid during the year.

The shares in Landauer are carried at cost and converted into Canadian dollars, after giving effect to the related foreign exchange forward contract hedge thereon (see note 12b). Cumulative dividends are included in the carrying value of these shares.

(h) NRI INDUSTRIES INC. ("NRI")

NRI converts scrap rubber into value-added manufactured products. At March 31, 2003 and 2002 Clairvest owned 6.0 million Class A preferred shares, 2.0 million Class D preferred shares, 4.5 million Class E preferred shares and 86,000 common shares of NRI. At March 31, 2002, Clairvest also held an option to acquire an additional 8,000 common shares of NRI from another shareholder, exercisable for US\$2.8 million, until June 3, 2002. Clairvest did not exercise this option. Clairvest's ownership on a fully diluted basis at March 31, 2003 was 84.7% (2002 – 90.5%).

The Class A preferred shares bear a cumulative dividend rate of 6.5% per annum commencing September 1, 1998 and are redeemable for \$1 per share. The Class D preferred shares bear a cumulative dividend rate of 6.5% per annum commencing September 1, 1998, and are redeemable at US\$1 per share. The Class E preferred shares bore a cumulative dividend of \$0.06 per share per annum commencing March 31, 1996 until August 31, 1998, and bear a cumulative dividend at the rate of 6.5% per annum thereafter. The Class E preferred shares are redeemable at \$1 per share.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The common shares of NRI are carried at cost. The Class A, Class D and Class E preferred shares are carried at their redemption values, with the redemption value of the Class D preferred shares being converted at the foreign exchange rate in effect at March 31, 2003 and 2002. Cumulative dividends on the Class A, Class D and Class E preferred shares are included in the carrying value of these shares. No dividends were accrued on the Class A, Class D and Class E preferred shares during fiscal 2003.

(i) SIGNATURE SECURITY GROUP HOLDINGS PTY. LIMITED ("SIGNATURE")

Signature is an electronic security company serving Australia and New Zealand. At March 31, 2003 Clairvest owned 214,866,491 (2002 – 214,866,491) ordinary shares in Signature, through its wholly-owned subsidiary, Clairvest Group International (Netherlands) B.V. ("BV"). Clairvest's indirect ownership on a fully diluted basis at March 31, 2003 was 39.4% (2002 – 39.4%). At March 31, 2003 and 2002 Clairvest also held \$8.2 million in loans to Signature and Equity SPV Pty. Limited ("SPV"). SPV is a special purpose corporate entity formed to facilitate the loaning of these funds to Signature.

During fiscal 2002, BV acquired 214,591,733 ordinary shares in Signature as part of a recapitalization of Signature. Also as part of the recapitalization, Clairvest loaned amounts totalling \$8.2 million to Signature and to SPV. The loans bear interest either at (i) the net cash interest earned by SPV, (ii) prime plus 5% or (iii) the net cash interest earned by SPV plus prime plus 5%. Interest at prime plus 5% is due and payable when Signature's senior debt is repaid and interest at the net cash interest earned by SPV is due and payable when earned. The loans are due March 31, 2006. Clairvest's loans to Signature and SPV represent 43.8% of total loans made to the two entities by their shareholders.

At March 31, 2003 and 2002 the ordinary shares and loans are carried at cost, converted into Canadian dollars, after giving effect to the related foreign exchange forward contract hedge thereon (see note 12b).

(j) VAN-ROB STAMPINGS INC. ("VAN-ROB")

Van-Rob is a supplier of metal stampings and welded assemblies to the North American auto sector. At March 31, 2003, Clairvest owned 5,000,000 Class A special convertible shares in Van-Rob, which were acquired during fiscal 2003 for \$5.0 million. Clairvest's ownership on a fully diluted basis was 5.0% at March 31, 2003.

The shares in Van-Rob are carried at cost at March 31, 2003.

(k) WELLINGTON FINANCIAL L.P. (FORMERLY CLAIRVEST-YORKTON TRANSITION CAPITAL FUND L.P.) ("WELLINGTON")

Wellington provides financing to growth companies in the technology and health sciences industries prior to larger, more permanent financings. Clairvest, as a Limited Partner, has committed to fund \$5.0 million to Wellington, \$2.6 million of which was funded at March 31, 2003. At March 31, 2002, all of the capital that Clairvest had previously funded had been returned to Clairvest. Clairvest's commitment represents a 71.4% interest in Wellington.

Clairvest carries its investment in Wellington at the underlying value of the loans and warrants held by Wellington.

7. LOANS PAYABLE

Loans payable consists of the following:

- (a) \$21.4 million 30 year loan from Gateway Casinos Inc. The loan is non interest bearing, and repayable on demand. The loan is secured by the units held by Clairvest in the limited partnership that owns Gateway Casinos Inc.
- (b) \$45.0 million 30 year loan from a subsidiary of Gateway Casinos Inc. The loan bears interest at 8.05% per annum, and is secured by the units held by Clairvest in Gateway Income Fund.

8. BANKING FACILITY

The Company has a \$20 million line of credit available, bearing interest at prime plus 0.5% per annum. The facility is renewed annually on January 1 of each year. The prime rate at March 31, 2003 was 4.75% (2002 – 3.75%). At March 31, 2003 no amounts were drawn down on this facility. At March 31, 2002, Clairvest's line of credit was decreased by the drawn down portion of the guarantee provided by Clairvest to Voxcom. During fiscal 2003, Clairvest's guarantee was released.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. INCOME TAXES

Provision for income taxes consists of the following:

	2003	2002
Current income tax expense	\$ 8,984	\$ 817
Future income tax expense (recovery) relating to origination and reversal of temporary differences	(7,805)	4,478
Future income tax recovery resulting from rate change	(172)	(787)
Provision for income taxes	\$ 1,007	\$ 4,508

A reconciliation of the provision for income taxes based on the statutory rate in Canada and the effective rate is as follows:

	2003	2002
Income before income taxes	\$ 45,346	\$ 27,487
Statutory Canadian income tax rate	38.1%	40.9%
Statutory Canadian income taxes	17,277	11,242
Non-taxable dividends received	(497)	(611)
Non-taxable portion of net investment gains	(8,291)	(4,698)
Non-taxable portion of unrealized gains	(7,922)	—
Accrued capital loss not benefited (benefited)	137	(1,071)
Expenses not deductible for tax purposes	16	21
Future income tax recovery resulting from rate change	(172)	(787)
Other	459	412
	\$ 1,007	\$ 4,508

The future tax liability relates primarily to the temporary differences on corporate investments.

10. SHARE CAPITAL

Authorized

Unlimited number of preference shares issuable in series, with the designation, rights, privileges, restrictions, and conditions to be determined by the Board of Directors prior to the issue of the first shares of a series.

Unlimited number of common shares

10,000,000 Non-voting shares

Issued and outstanding	2003	2002
Common shares – 18,692,590 (2002 – 18,697,590)	\$ 95,626	\$ 95,652
Non-voting shares – 2,230,954 (2002 – 2,230,954)	16,800	16,800
	\$ 112,426	\$ 112,452

During the year, the Company filed a Normal Course Issuer Bid enabling it to make market purchases of up to 1,046,427 of its common shares in the 12 month period commencing March 4, 2003.

During 2003 the Company purchased and cancelled under its Normal Course Issuer Bid 5,000 of its common shares at a total value of \$35,000. The excess of the purchase cost of these shares over the average paid-in amount was \$9,000, which was charged to retained earnings.

On August 21, 2001, the Company issued, for cash consideration of \$16.8 million, 2,230,954 non-voting shares through a private placement. The non-voting shares are convertible into common shares commencing August 21, 2011, at a ratio based on the book value and the trading price of the common shares at that time. The non-voting shares rank equally with the common shares with respect to dividends. The non-voting shares rank equally with the common shares on liquidation, subject to a \$0.01 preference per non-voting share.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The weighted average number of common and non-voting shares outstanding during fiscal 2003 was 18,697,576 and 2,230,954 respectively, for a total of 20,928,530 (2002 – 20,054,499). The weighted average number of fully diluted shares outstanding during fiscal 2003 was 22,292,218 (2002 – 20,611,508).

The difference between the basic and fully diluted earnings per share computations for 2003 and 2002 consists of the following:

	2003			2002		
	Income	Number of shares	Per share amount	Income	Number of shares	Per share amount
Basic earnings per share	\$ 44,339	20,928,530	\$ 2.12	\$ 22,979	20,054,499	\$ 1.15
Effect of dilutive securities						
Convertible non-voting shares	—	1,212,339		—	515,977	
Stock options	—	151,348		—	41,033	
	\$ 44,339	22,292,217	\$ 1.99	\$ 22,979	20,611,509	\$ 1.11

875,000 outstanding stock options are not included in the calculation of fully diluted earnings per share as they are anti-dilutive.

Under the Company's stock option plan, 2,092,854 (2002 – 1,698,150) common shares of the Company have been reserved for issuance to eligible participants. Under the plan, options are exercisable for one common share and the exercise price of the option must equal the market price of the underlying share on the day preceding the grant date.

Options granted vest immediately or over a period not to exceed eight years. Once vested, options are exercisable at any time until their expiry ten years after the grant date.

A summary of the status of the Company's stock option plan as at March 31, 2003 and 2002 and changes during the years ending on those dates is presented below:

	Number of options	Weighted average exercise price per share
Options outstanding, March 31, 2001	1,674,000	\$ 6.75
Options granted	125,000	4.80
Options forfeited	(293,000)	7.85
Options outstanding, March 31, 2002	1,506,000	\$ 6.37
Options granted	266,000	6.04
Options forfeited	(10,000)	7.25
Options outstanding, March 31, 2003	1,762,000	\$ 6.32
Options exercisable, March 31, 2003	1,201,400	\$ 6.51

The following table summarizes information about stock options outstanding at March 31, 2003:

Range of exercise prices	Options outstanding			Options exercisable	
	Number outstanding	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable	Weighted average exercise price
\$4.00 to \$4.99	216,000	7.9 years	\$ 4.62	61,400	\$ 4.55
\$5.00 to \$5.99	671,000	3.8 years	5.37	430,000	5.11
\$6.00 to \$6.99	55,000	9.3 years	6.75	—	—
\$7.00 to \$7.99	750,000	3.3 years	7.39	650,000	7.41
\$8.00 to \$8.99	70,000	5.3 years	8.70	60,000	8.70
	1,762,000			1,201,400	

11. STOCK-BASED COMPENSATION

In accordance with the recommendations of The Canadian Institute of Chartered Accountants with respect to stock-based compensation, the Company has elected not to follow the fair value based method of accounting for stock options. Had Clairvest followed the fair value method of accounting for stock options, the effect on net earnings would have been approximately \$45,000.

The fair value of the options at the date of grant was estimated using the Black-Scholes option pricing model based on the following assumptions: risk-free interest rate of 4.0%; dividend yield of 1.7%; average expected life of five years; and volatility of 20.7%.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12. FINANCIAL INSTRUMENTS

(a) FAIR VALUE OF FINANCIAL INSTRUMENTS

Cash and cash equivalents, short-term investments, accounts receivable and other assets, accounts payable and loans payable have fair values which equal their carrying values due to their short-term nature.

Corporate investments are being carried in accordance with the Company's accounting policy contained in note 2.

(b) FOREIGN EXCHANGE FORWARD CONTRACTS

As at March 31, 2003 the Company had entered into foreign exchange forward contracts as hedges against its foreign investments as follows:

(i) Forward contracts to sell AUS\$28.0 million (2002 – AUS\$28.0 million) at rates of Canadian \$0.8086 to \$0.8792 per Australian dollar through January 2004 (average rate of \$0.8373; 2002 average rate of \$0.7807). The fair value of these contracts at March 31, 2003 is (\$1.4 million) (2002 – (\$2.0 million)); and

(ii) Forward contracts to sell US\$5.6 million (2002 – US\$2.9 million) at rates of Canadian \$1.5127 to \$1.5747 per U.S. dollar through December 2003 (average rate of \$1.5444; 2002 average rate of \$1.5923). The fair value of these contracts at March 31, 2003 is \$430,000 (2002 – (\$7,600)).

The credit risk on derivative financial instruments, cash and cash equivalents and short-term investments is the risk of a financial loss occurring as a result of default of a counterparty on its obligation to the Company. Clairvest mitigates this risk by contracting only with Schedule 1 Canadian chartered banks.

13. CONTINGENCIES AND COMMITMENTS

(a) Clairvest has committed to co-invest alongside CEP in all investments undertaken by CEP. Clairvest's total co-investment commitment is \$54.7 million, of which \$16.7 million has been funded to March 31, 2003. Clairvest may only sell all or a portion of a corporate investment that is a joint investment with CEP if it, as manager of CEP, concurrently sells a proportionate number of securities of that corporate investment held by CEP.

(b) During fiscal 2002, Clairvest sold certain shares of Consolidated Vendors to CEP for \$5.7 million. Clairvest has guaranteed to compensate CEP for any deficiency between (i) CEP's purchase price for these shares and (ii) the amount CEP receives from its investment in these shares, including proceeds of disposition and any other amounts and including proceeds of disposition or other amounts attributable to any other of CEP's holdings in Consolidated Vendors over and above the cost of these holdings.

(c) During fiscal 2003 Clairvest entered into an agreement to guarantee \$3.0 million of CEP's obligations to the Toronto-Dominion Bank under CEP's foreign exchange forward contracts with the bank.

(d) Under Clairvest's Incentive Bonus Program, a bonus of 10% of after-tax cash realizations on Clairvest's corporate investments would be paid to management as a bonus. Amounts are accrued under this plan with respect to cash realizations made during the year. If Clairvest were to sell its corporate investments at their current carrying values, a bonus of \$3.9 million (2002 - \$1.5 million) would be owing to management under the Incentive Bonus Program.

(e) During fiscal 2003, Clairvest sold its investment in Sparkling Spring Water Holdings Limited for proceeds of Cdn\$48.6 million. Clairvest has the potential, subject to a number of conditions, to receive over time an additional US\$4.5 million now being held in escrow. This amount has not been reflected on the balance sheet.

SHAREHOLDER INFORMATION

As at, and for the year ended, March 31, 2003

SHAREHOLDER COMMUNICATION

Clairvest has both the obligation and desire to provide its shareholders with full and continuous disclosure, on a timely basis, throughout the fiscal year. As the complexity of Clairvest's portfolio has increased, we are increasing the extent of disclosure in order to aid understanding. Annual and quarterly reports are provided as part of this process and the company releases information on material events through the press, as required. Further disclosure can be found on the company's website, www.clairvest.com.

VALUATION MEASURES

Clairvest's focus is on building the long-term value of its investments. Fair value accounting allows Clairvest to reflect changes in the value of our investments in the carrying value. The fair value method, however, is not without limitations. Clairvest's investments are often carried at values which may vary from the actual realizations.

OUTSTANDING SECURITIES

Share structure:	Common Shares ⁽³⁾ and Non-Voting Shares
Shares outstanding: ⁽¹⁾	20,721,392
Public float: ^(1,2)	8,051,411
Market capitalization: ⁽¹⁾	\$144,225,416
Market value of public float: ^(1,2)	\$ 62,801,006
Stock market:	Toronto Stock Exchange
Stock symbol:	CVG

(1) As at June 30, 2003

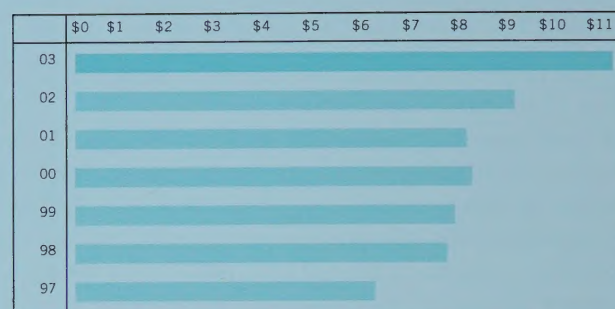
(2) Excludes holders of 10% or more of the outstanding common shares

(3) During the year, Clairvest filed a Normal Course Issuer Bid.

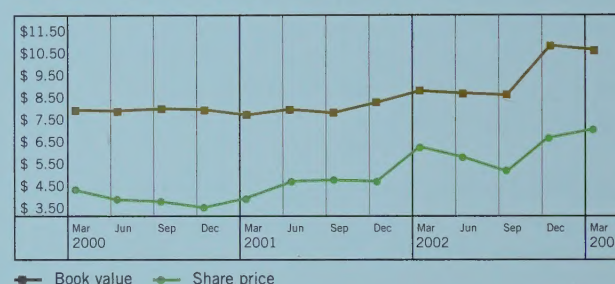
DIVIDEND INFORMATION

Clairvest has consistently paid a dividend over the last fifteen years. Over the last eleven years the annual dividend has been \$0.10 per common share. It is Clairvest's current intention to continue this dividend practice.

BOOK VALUE PER SHARE



SHARE PRICE VS BOOK VALUE PER SHARE



SHARE TRADING VOLUME

Common Shares	High	Low	Close	Volume
Year to March 31, 2003				
First Quarter	6.45	5.50	5.95	156,234
Second Quarter	6.00	4.72	5.40	82,235
Third Quarter	7.45	5.20	6.81	689,087
Fourth Quarter	7.50	6.70	7.25	572,565
Year to March 31, 2002				
First Quarter	4.95	3.50	4.70	123,769
Second Quarter	5.85	4.25	4.75	301,713
Third Quarter	5.00	4.50	4.70	45,480
Fourth Quarter	6.95	4.70	6.45	278,655

SHAREHOLDER INQUIRIES

Lana Reiken, Vice-President Finance
and Corporate Secretary
tel: 416.925.9270
fax: 416.925.5753
e-mail: lanar@clairvest.com

CLAIRVEST GROUP INC.

MANAGEMENT

B. JEFFREY PARR
Co-Chief Executive Officer
and Managing Director

KENNETH B. ROTMAN
Co-Chief Executive Officer
and Managing Director

JOHN B. FISHER
Managing Director

MICHAEL A. WAGMAN
Principal

DAVID I. STURDEE
Vice-President

LANA REIKEN
Vice-President Finance
and Corporate Secretary

HEATHER G. CRAWFORD
In-House Counsel

MICHAEL CASTELLARIN
Associate

DENNIS DUSSIN
Associate

MITCHELL S. GREEN
Associate

BOARD OF DIRECTORS

MICHAEL BREGMAN*
Principal, XDL Intervest Capital Corporation
Former Chief Executive Officer, Second Cup Ltd.

SYDNEY C. COOPER P.ENG.*
President, Toril Holdings Limited
Former President & Chief Executive Officer,
Pitts Engineering Construction Ltd.

A. EPHRAIM DIAMOND O.C., P.ENG.**
Chairman, Whitecastle Investments Limited
Co-founder and former Chairman and
Chief Executive Officer, Cadillac Fairview
Corporation Ltd.

GERALD R. HEFFERNAN O.C., P.ENG.**
President, G.R. Heffernan & Associates Ltd.
Founder, Co-Steel Inc.
Chairman, Texas Industries Inc.

JOSEPH J. HEFFERNAN P.ENG.
Chairman, Clairvest Group Inc.
Chairman, Rothmans Inc.

PHILIP S. ORSINO F.C.A.*
President and Chief Executive Officer,
Masonite International Corporation

B. JEFFREY PARR
Co-Chief Executive Officer and
Managing Director, Clairvest Group Inc.

JOSEPH L. ROTMAN o.c.
Chairman and Chief Executive Officer,
Roy-L Capital Corporation
Founder, Clairvest Group Inc.

KENNETH B. ROTMAN
Co-Chief Executive Officer and
Managing Director, Clairvest Group Inc.

LIONEL H. SCHIPPER C.M., Q.C.
President, Schipper Enterprises Inc.
Former Chairman, Toronto Sun Publishing

ISADORE SHARP o.c.**
Chairman and Chief Executive Officer,
Four Seasons Hotels Inc.

TRANSFER AGENT AND REGISTRAR

Investors are encouraged to contact
CIBC Mellon Trust Company
for information regarding their
security holdings.

Information can be obtained at:

CIBC Mellon Trust Company
Adelaide Street Postal Station
P.O. Box 7010
Toronto, Ontario M5C 2W9
Answerline: 416.643.5500
or toll-free throughout North America at
1.800.387.0825
web: www.cibcmellon.ca
e-mail: enquiries@cibcmellon.ca

CORPORATE INFORMATION

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Toronto, Ontario M4T 2S3
tel: 416.925.9270 fax: 416.925.5753
web: www.clairvest.com

AUDITORS
Ernst & Young LLP

THE ANNUAL MEETING OF
SHAREHOLDERS
September 22, 2003, at 10:30 a.m.
TSX Conference Centre,
Ground Level in the Exchange Tower,
130 King Street West (at York Street),
Toronto, Ontario.

All shareholders are encouraged to attend.

* Member of Audit Committee

** Member of Compensation and Human Resources Committee

CLAIRVEST BELIEVES IT IS IMPORTANT TO CONTRIBUTE TIME, ENERGY AND MONEY TO THE COMMUNITIES IN WHICH WE LIVE AND WORK.

Baycrest Centre Foundation • Baycrest Centre for Geriatric Care • Canadian Blood Marrow Transplant Group • Canadian Business Hall of Fame Foundation • Canadian Friends of the Hebrew University • Canadian Friends of the Israel Museum • Canadian Institute of Health Research • Canadian Institute of Public Real Estate Companies • Canadian Opera Company • Canadian Opera Volunteer Committee • Canadian Opera House Corporation • C.D. Howe Institute • Canadian Cancer Society • Canadian Council of Christians and Jews • The Canadian Ditchley Foundation • The Canadian Shaare Zedek Hospital Foundation • The Council for Canadian Unity • Centre for Addiction & Mental Health • Hebrew University of Jerusalem • Institute for Research on Public Policy • Integra Foundation • Koffler Centre for the Arts • L.E.A.P. • M.A.R.S. (Medical and Related Sciences Discovery District) • Mount Sinai Hospital • Mount Sinai Hospital Foundation • Mount Sinai Hospital Auxiliary • Mount Sinai Hospital Foundation of Toronto • National Terry Fox Run • North York General Hospital • Ontario Genomics Institute • Ontario Crafts Council • Proaction • Raymond F. Kravis Center for the Performing Arts • Reena Foundation • Shaw Festival • The Salvation Army • The Sanfilippo Children's Research Foundation • Technion Institute of Technology, Israel • Terry Fox Humanitarian Award Program • UJA Federation of Greater Toronto • United Jewish Appeal of Metropolitan Toronto • University Health Network • University of Toronto • University of Toronto Governing Council • University of Toronto Centre for Research in Neurodegenerative Diseases • University of Toronto Campaign Executive Committee

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